

Opening Remarks
Latino Legislative Caucus
Housing Summit
Thursday February 21, 2002
Noon to 4:30 PM
Room 317, State Capitol, Sacramento

Remarks given by Assembly Member Manny Diaz
Co-Chair of the Latino Housing Summit

Welcome to the Latino Legislative Caucus Housing Summit.

After the Caucus Retreat in December in Palm Springs

the Caucus decided to make Housing one of it's

Legislative priorities. This Housing Summit is a continuation
of that dialogue.

Twenty speakers have traveled to Sacramento from around
the state to be with us today. Members of the Latino Caucus
choose to discuss Housing as a priority for the Caucus
because it is a huge problem in almost all of our districts and
all over the State. Housing is one of those issues that has ripple
effects in our communities. The lack of affordable housing influences
industry, our quality of life is impacted with stress on our
transportation infrastructure, basic services such as education and
health care are impacted because key professionals can't afford to

live in our communities and later choose to leave all together rather than suffer long commutes. Education, Healthcare, basic services, infrastructure and air quality are adversely impacted when we have an inadequate housing supply.

One Very important solution to this crisis is **the Housing Bond of 2002, SB 1227 by Senator John Burton**. The specifics of the Bond are in your Binder under tab five. Two Latino Caucus Member's bills are funded within the Bond. **AB 1170** by Mr. Firebaugh creating The BEGIN program, " Building Equity and Growth in Neighborhood Initiative" and my **AB 1891**, Local Housing Trust Funds which supports existing trust Funds and encourage the development of new trusts. Jonas Austin of Senator Burton's Staff is here to answer any questions you might have about the bond.

This is optional / A little about my Housing Interests:

- When I came to the Legislature last December, I asked Speaker Robert Hertzberg to form The Select Committee on Housing in the Silicon, which I chair. Assemblymember Salinas of our caucus is also a member of this committee.
- I have been involved with housing for a long time. I was a

Housing development manager for MACSA, I served on the Planning Commission for seven years and I worked on housing extensively when I served On the San Jose City Council. I am very committed to finding housing solutions in The Silicon Valley and around the state.

- The focus of the Select Committee has been to seek Collaborative strategies with local elected officials and housing advocates to deal with the lack of affordable housing in the Silicon Valley.
- This Afternoon session of the Latino Caucus Housing Summit will continue that dialogue and hopefully, we will be able to come to consensus on issues the Caucus can support on housing this coming year.
- Tim Coyle of the California Building Industry Association hosted the lunch that we have been enjoying this afternoon.
- Ask Senator Alarcon if he has anything, he wants to say before we start.
- **Do the Members have any questions about the Housing Bond for Mr. Austin?**

We have a great deal of material to cover this afternoon, so I would like to introduce the first Presenter, Professor John Landis of the Department of City and Regional Planning, University of California, Berkeley, who will give us a statewide overview. Professor Landis

The Next Step

I would like to ask each presenter to respond now or later in writing to the Caucus. In your view, what would it take to provide housing for all Californians? In a perfect world, what would it take?

Wait for Answers

I would like to take the global view here today and suggest that the Caucus consider at its March meeting supporting a legislative package that supports housing across the board for all Californians Including low and moderate income housing for both rental housing and first time homebuyers. We must not abandon our strong support

for low income and very low rental housing but we must also seek a massive solution not just a band aide. Not since the period after World War II, has there been a major effort to provide home ownership opportunities.

We as a caucus should seek to provide legislative solutions for all Californians. The Next Step will be the definition of our legislative priorities for the session agreed upon and articulated in March. I want to help the Caucus find those solutions that we can support to begin to solve this crisis for all Californians.

- Special Thanks to all the presenters who shared their afternoon with us and who came from all over the state.
- **Thanks again to Tim Coyle** and the California Building Industry Association for the lunch and to my co-Chair Senator Alarcon for his assistance and wisdom this afternoon.

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Lunch Hosted by California Building Industry Association

**Assemblymember Manny Diaz and Senator Richard Alarcon
CO-Chairs**

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A. WELCOME AND INTRODUCTIONS

B. THE HOUSING CHALLENGE

1. Statewide Overview

- John Landis, Professor, Department of City and Regional Planning, University of California, Berkeley

2. Housing Finance

- Jeanne Peterson, Executive Director, Tax Credit Allocation Committee
- Ronald J. Garcia, Senior Deputy Director, Fannie Mae, Los Angeles

3. Neighborhood Opposition (Not In My Backyard – NIMBYism)

- Supervisor Roger Dickinson, Sacramento County, California State Association of Counties
- Ron Kingston, Legislative Advocate, California Association of Realtors

4. Environmental Impediments to Affordable Housing (CEQA)

- Richard Lyon, California Building Industry Association
- Bill Allayaud, State Legislative Director, Sierra Club

5. Construction Defect –The Problem and the Solution

- Timothy Coyle, California Building Industry Association
- Mark Milstein, Consumer Attorneys of California
- Dan Dunmoyer, Personal Insurance Federation
- Joseph Hernandez, President of Insurance Agents and Brokers of the West
- Kimberly Dellinger, California Building Industry Association

C. RESPONDING TO THE CHALLENGE

1. Housing Element Reform

- Marc Brown, California Rural Legal Assistance Foundation
- Daniel Carrigg, Legislative Representative, League of California Cities

2. Increasing the Supply of Affordable Units

- Jose Mireles, Latino Builders Association
- Ronald P. Morgan, President, Community Housing Developers
- Bob West, Executive Director, California Manufactured Housing Institute
- John Gamboa, Executive Director, the Greenlining Institute

3. The Next Step

- Assemblymember Manny Diaz
- Senator Richard Alarcon



California Building Industry Association

1215 K Street, Suite 1200 • Sacramento, CA 95814 • (916) 443-7933 • fax (916) 443-1960

Biography of Timothy L. Coyle Senior Vice President for Governmental Affairs California Building Industry Association

Timothy L. Coyle has served as senior vice president for governmental affairs for the California Building Industry Association since January 1996.

During his tenure at CBIA, Coyle has spearheaded comprehensive legislative efforts to break down barriers to home building and affordable homeownership in California. Specifically, Coyle effectively lead the passage of Proposition 1A, the historic \$9.2 billion statewide construction bond. He also united a broad-based and diverse group of interests (Job-Center Housing Coalition) around the simple objective of reforming the state's housing policies to increase the housing supply in California. Additionally, Coyle has been successful in related legislative efforts such as environmental regulatory, transportation, and construction dispute resolution reform.

"Looking to the future, California's home building industry must continue to expand its base of political support – to partner with job producers and job recipients – to ensure a fair hearing on homebuilder issues and a chance to promote good governance and decision-making locally and in Sacramento," says Coyle.

Coyle, 48, served as director of the state housing department for five years beginning in 1991. During that time, Coyle directed efforts to reduce barriers to affordable housing, to launch innovative housing programs and to promote rural economic development. Under his leadership, the department awarded some \$1 billion to cities, counties and housing organizations which led to the production of more than 34,000 units of housing and creation of thousands of jobs – by far the most productive period in the department's history.

Coyle also served as a policymaker at the U.S. Department of Housing and Urban Development (HUD) during the Reagan and Bush administrations. Coyle served as HUD's advocate in Congress from 1988 to 1991, achieving major legislative reforms including the Fair Housing Amendments Act of 1988, the HUD Reform Act of 1989 and the Cranston-Gonzalez Affordability Act of 1990 which introduced a federal housing block grant program as well as a sweeping homeownership initiative for low-income families. From 1986 to 1988, Coyle served as Deputy Undersecretary of HUD. In this position, he coordinated activities for the department's 81 field offices nationwide. He also served as HUD's deputy assistant secretary for legislation from 1984 to 1986, acting as the administration's chief housing advocate with Congress, and was the executive assistant for field operations from 1981 to 1983.

In other professional experience, Coyle served as an advisor to the Chairman of the Federal Home Loan Bank Board. He also experienced success as a small business owner, managing and participating in the planning and development of a restaurant chain in California and the Pacific Northwest.

Born in Los Angeles, Coyle is a 1976 graduate of San Diego State University where he earned a Bachelor of Arts Degree in Journalism and Business Marketing. He is married with two sons.



Ronald J. Garcia

Ron Garcia is the Senior Deputy Director, Orange County for Fannie Mae's Los Angeles Partnership Office. As Senior Director, Mr. Garcia works with state and local partners to make affordable housing opportunities available to more people.

Last year, Fannie Mae announced a five-year "House Orange County" investment to provide \$6 billion in affordable mortgage and rental financing to serve 60,000 low-, moderate- and middle-income families throughout Orange County, Mr. Garcia has the responsibility of attaining this goal.

Prior to joining Fannie Mae, Mr. Garcia was Vice President, Loan Production Manager for Quaker City Bank, with responsibilities in loan origination, marketing and training in both the Loan and Retail Divisions. Mr. Garcia currently serves as Chairman of the Planning Commission for the City of Brea. Mr. Garcia is a Board Member of OCAHOA, a member of the City of Santa Ana Empowerment Zone Housing Sub-Committee and OCTA's Citizen Advisory Committee.

Mr. Garcia has both written and trained classes for the California Association of Realtors and holds a Real Estate Brokers License.

Mr. Garcia received his Bachelor of Science from the University of Redlands and served in Vietnam with the United States Navy.

Ronald J. Garcia
Senior Deputy Director
Fannie Mae Partnership Office, Orange County

Education: 16

Degree or course of study in college: Bachelor of Science, Business Administration
University of Redlands 1974

Licenses or special certificates held:

- Los Angeles Community College, Faculty Instructor – Mortgage Finance Program
- AHECTI-Certified Homeowner Educator & Counselor
- State of California, Real Estate Brokers License
- State of California, Notary Public
- California Association of Realtors, Graduate Faculty Instructor
- California League of Saving and Loans, Course Instructor
- Department of Real Estate, Continuing Education Instructor

List of past and present community involvement:

Present

- City of Brea - Planning Commissioner, Chairman
- Orange County Transportation Authority (OCTA), Citizens Advisory Committee
- Board Member, Orange County Affordable Homeownership Alliance (OCAHOA)
- Board Member, Neighborhood Housing Services of Orange County (NHS)
- Advisory Committee, City of Santa Ana Community Development Agency, Empowerment Zone
- Board Member, Vice Chair, Whittier Hospital Medical Center
- Board Member, Friends of Pio Pico, Historical Society
- Advisory Board, Los Angeles Trade Technical College, Residential Lending Program
- Life Member Brea V.F.W.
- Eucharistic Minister, St. Angela Merici Catholic Church, Brea
- Member of Affordable Housing Clearinghouse of Orange County
- Member of Southern California Association of Non-profit Housing (SCANPH)
- Member of National Association of Latino Elected & Appointed Officials (NALEO)
- Member of National Association of Hispanic Real Estate Professionals (NAHREP)

Past

- President, Whittier Chamber of Commerce
- Treasurer, Whittier Uptown Association
- Board Member, Whittier YMCA
- Board Member, Supporting Kids In Livings/Learning Successfully Foundation (SKILLS)
- Founding Member, City of Whittier Sister City Committee Foundation
- Advisory Committee, City of Whittier, Uptown Assessment District

ROGER DICKINSON – VITAE

Roger was elected to the Sacramento County Board of Supervisors in a special election in January 1994. In June 1994, Roger was elected for a full term to the Board and re-elected in 1998. Roger represents the First District, comprised primarily of the northwest part of Sacramento County, including the neighborhood of Oak Park, Fruitridge Pocket, Curtis Park, Tahoe Park, the Central City, MidTown, Natomas, North Sacramento, North Highlands, Rio Linda and Elverta. He chairs the Sacramento Regional Transit District Board and the Sacramento County Children and Families Commission. He also serves on the Sacramento Area Flood Control Agency Board, the Sacramento Regional County Solid Waste Authority Board, the Sacramento Cable Commission, the Sacramento Transportation Authority Board, the Sacramento Air Quality Management District Board, the Sacramento Area Council of Governments, the North Area Groundwater Management Authority, the Sacramento County and Cities Board on Homelessness, the Capitol Corridor Joint Powers Authority Board, and various other boards and commissions. Additionally, Roger serves on the California State Association of Counties (CSAC) Board and the Human Services and Education Steering Committee of the National Association of Counties (NACO). He also sits on a special task force on welfare reform for NACO.

Before his election to the Board of Supervisors, Roger participated in numerous community organizations. During the 1980's, Roger spent eight years as a member of the Regional Transit Board of Directors and was Chairman of the Board twice. Roger has also served on the Sacramento Housing and Redevelopment Commission, the County Air Pollution Control Advisory Board, and the North Sacramento Community Plan Citizens Advisory Committee. In addition, Roger served on the board and as President of the American Lung Association of Sacramento, and has chaired the Sacramento Transportation Coalition. He is former President of the Friends of Light Rail and a board member of the Sacramento Tree Foundation. Roger currently serves on the steering committee of the Cleaner Air Partnership, the steering committee of Linking Education and Economic Development (LEED), as a board member of KVIE public television station, and as a board member of the National Multiple Sclerosis Society, Mountain Valley Chapter.

Roger received his undergraduate degree from the University of California at Berkeley where he lettered in varsity basketball. Roger's law degree was conferred by U.C.L.A in 1976. He spent seven and a half years, from 1977 to 1984, with the California Department of Consumer Affairs where among other things, he oversaw a statewide project to improve small claims court. From 1984 to the present, Roger has been in private practice and in 1987 helped to form the firm of Kemnitzer, Dickinson, Anderson & Barron emphasizing automobile warranty law and sales misrepresentation cases. Roger has litigated cases up to the California Supreme Court and remains of counsel to the firm.

Roger Dickinson - Vitae

A recipient of a number of awards, Roger has been recognized as Environmentalist of the Year in 1982, received the Clean Air Award in 1991 and 1997, the Outstanding Performance Award from the Air Force Association in 1995, the Affordable Housing Leadership Award in 1998, the Outstanding Community Leader Award from the Antelope-Highlands Chamber of Commerce in 1999, the "Give 'em Hell, Harry" award of the Harry S Truman Democratic Club in 1999, and the Golden Heart Award from the Association for Enforcement of Child Support in 1999.

Roger lives with his wife, Marj, in the Woodlake neighborhood where they have owned a home in the neighborhood for more than 20 years. Marj is the Associate Vice Chancellor for Government and Community Relations for the University of California at Davis.



Joe Hernandez

Vice President

Joe Hernandez commands a wealth of knowledge and expertise in the insurance industry. He is recognized as a distinguished and influential member of the insurance community with an outstanding reputation and unparalleled credentials. Joe is a strong advocate of small business issues and a highly respected community leader.

Joe Hernandez is the Vice President of Hamman, Miller, Beauchamp, Deeble, Inc. and has been a partner of the firm for more than ten years. He entered the insurance business in 1973 and joined HMBD in 1984.

Joe has more than twenty years of insurance and risk management experience. He is among a handful of qualified bilingual Independent Insurance Agents fluent in Spanish and experienced in all aspects of insurance delivery and product development.

Joe commands a leading edge over his competitors with his vast knowledge of Property & Casualty issues and his broad background in Risk Management. He is an Accredited Advisor in Insurance and is Credentialed as an Associate in Risk Management from the Insurance Institute of America.

As an active member of his community, Joe volunteers his time and expertise to a variety of organizations. He served as past President of the South Orange County Chambers of Commerce, he is the Governmental Affairs Chair and Advisory Board member of the National Home Office & Business Opportunities Association, Chairman of the Urban & Minority Agents Task Force of the Insurance Agents & Brokers of the West Association, board member of the Orange County Permit Assistance Center and Planning commissioner for the City of Lake Forest. Joe also received a Congressional Appointment to the White House Conference on Small Business in Washington, DC.

Outstanding Agent of the Year Award
National Automobile Club of America

Businessman of the Year Award, 1997
South Orange County Chambers of Commerce

HMBD

Hamman
Miller
Beauchamp
Deeble, Inc.

Richard Lyon Brief Biography

Richard is the Senior Legislative Advocate for the California Building Industry Association (CBIA) in Sacramento. He has been with the organization for 15 years.

CBIA is the voice of California's homebuilding industry in Sacramento representing 23 BIAs throughout the state with a membership that includes nearly 6000 homebuilders and related businesses.

Richard is responsible for the economic development, land use, school facility, infrastructure and local government finance issues impacting the industry.

Among other things:

- ❖ Richard was a key negotiator and architect of the School Facilities Financing Act of 1998 that culminated with the passage the historic \$9.2 billion state school construction bond in 1998. Currently he represents the industry in the ongoing school bond negotiations.
- ❖ Richard negotiated a major statewide water compromise in the mid-90's with agricultural and environmental interests over growth and water issues.
- ❖ Richard has represented the building industry on all major state-level CEQA-related issues since the early '90s.
- ❖ Richard played a key role on behalf of the building industry in the creation of the California Infrastructure and Economic Development Bank.

He has served on numerous statewide commissions and projects representing the homebuilding industry on growth issues.

Prior to CBIA, he represented county governments before the state legislature and spent years in a family business building custom homes in the Sacramento area. Richard holds a Bachelors Degree in Journalism from California State University Sacramento and holds a Juris Doctor degree. He has a 17 year old son, Alexander.

He has a 17 year old son, Alexander.

Welcome to the Latino Legislative Caucus 2001-2002

Leadership



Senator
[Richard G. Polanco](#)
Chair



Assemblymember
[Marco Firebaugh](#)
Chair-Elect



Assemblymember
[Manolo Diaz](#)
Northern Vice-Chair



Assemblymember
[Jenny Oropeza](#)
Southern Vice-Chair



Senator
[Deborah Ortiz](#)
Northern Whip



Assemblymember
[Juan Vargas](#)
Southern Whip

Senators



[Richard Alarcón](#)



[Martha Escutia](#)



[Liz Figueroa](#)



[Gloria Romero](#)



[Nell Soto](#)

Assemblymembers



[Thomas Calderon](#)



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[Lou Correa](#)



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[Dario Frommer](#)



[Sally Havice](#)



[Gloria Negrete McLeod](#)



[Sarah Reyes](#)



[Simon Salinas](#)

Member Emeritus



[Lieutenant Governor
Cruz M. Bustamante](#)

It is our hope that this web-site will provide you with an informative look at the Latino Caucus and illuminate some of the issues affecting Latinos in California. More often than not, issues that affect Latinos are issues that affect all Californians.

Our web-site provides information about the purpose of the Latino Caucus, up-to-date information about the Caucus' history, previous legislative priorities, policy papers relating to the Latino community, and links to other important sites. Please feel free to contact us with any feedback concerning our web-site. We plan to update the site frequently, and the input of visitors will help us shape its scope and direction in the future.

Latino Legislative Caucus Member Directory

[Previous Latino
Legislators](#)

[Current Latino
Assemblymembers](#)

[Current Latino Senate
Members](#)

Current Latino Members of the Assembly:

[Thomas Calderón](#) (Democrat)
Assemblymember 1998-present

[Tony Cardenas](#) (Democrat)
Assemblymember 1996-present

[Gil Cedillo](#) (Democrat)
Assemblymember 1997-present

[Ed Chavez](#) (Democrat)
Assemblymember 2000-Present

[Lou Correa](#) (Democrat) Assemblymember 1998 to Present

[Manny Diaz](#) (Democrat) Assemblymember 2000 to Present

[Marco Firebaugh](#) (Democrat) Assemblymember 1998 to Present

[Dario Frommer](#) (Democrat)
Assemblymember 2000-Present

[Dean Florez](#) (Democrat) Assemblymember 1998 to Present

[Sally Morales Havice](#) (Democrat)
Assemblymember 1996-Present

[Gloria Negrete McLeod](#) (Democrat)
Assemblymember 2000-Present

[Jenny Oropeza](#)
(Democrat)
Assemblymember 2000-Present

[Sarah Reyes](#) (Democrat) Assemblymember 1998 to Present

[Simon Salinas](#) (Democrat)
Assemblymember from 2000-Present

[Juan Vargas](#) (Democrat) Assemblymember 2000 to Present

Current Latino Members of the Senate:

[Richard Alarcón](#) (Democrat)
Senator 1998-Present

[Martha Escutia](#) (Democrat)
Assemblymember 1992-1998, Senator 1998-Present

[Liz Figueroa](#) (Democrat)
Assemblymember 1994-1998, Senator 1998-Present

[Deborah Ortiz](#) (Democrat)
Assemblymember 1996-1998, Senator 1998-Present

[Richard Polanco](#) (Democrat)

Assemblymember 1986-1994,
Senator 1994-present

[Gloria Romero](#) (Democrat)
Senator 2001 to Present

[Nell Soto](#) (Democrat)
Senator 1998-present

**Previous Latino Members
of the Legislature:
(in chronological order)**

Hilda Solis (Democrat)
Assemblymember 1992-1994, Senator 1994-2000

Denise Moreno Ducheny
(Democrat)
Assemblymember 1994 -2000

Martin Gallegos (Democrat)
Assemblymember 1994-2000

Antonio Villaraigosa (Democrat)
Assemblymember 1994-2000

[Cruz M. Bustamante](#) (Democrat)
Assemblymember 1993-1998

[Joe Baca](#) (Democrat) Assemblymember 1992-1998, Senator 1998-1999

[Louis Caldera](#) (Democrat)
Assemblymember 1992-1997

[Diane Martínez](#) (Democrat)
Assemblymember 1992-1998

[Grace Napolitano](#) (Democrat)
Assemblymember 1992-1998

[Xavier Becerra](#) (Democrat)
Assemblymember 1990-92

[Lucille Roybal-Allard](#) (Democrat)
Assemblymember 1987-92

[Chuck Calderón](#) (Democrat)
Assemblymember 1982-1990,
Senator 1990-1998

[Gloria Molina](#) (Democrat)
Assemblymember 1982-87

[Matthew Martínez](#) (Democrat)
Assemblymember 1980-82

[Ruben Ayala](#) (Democrat)
Assemblymember 1974-1992,
Senator 1993-1998

[Art Torres](#) (Democrat)
Assemblymember 1974-82,
Senator 1982-94

[Joseph Montoya](#) (Democrat)
Assemblymember 1972-78,
Senator 1978-90

[Ray Gonzáles](#) (Democrat)
Assemblymember 1972-74

[Richard Alatorre](#) (Democrat)
Assemblymember 1972-85

[Peter Chacón](#) (Democrat)
Assemblymember 1970-92 a

[Alex García](#) (Democrat)
Assemblymember 1968-74,
Senator 1974-82

[John Moreno](#) (Democrat)
Assemblymember 1962-64

[Phillip Soto](#) (Democrat)
Assemblymember 1962-66

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A Brief Outline of California Housing Issues

by

Daniel Carrigg, Legislative Representative, League of California Cities

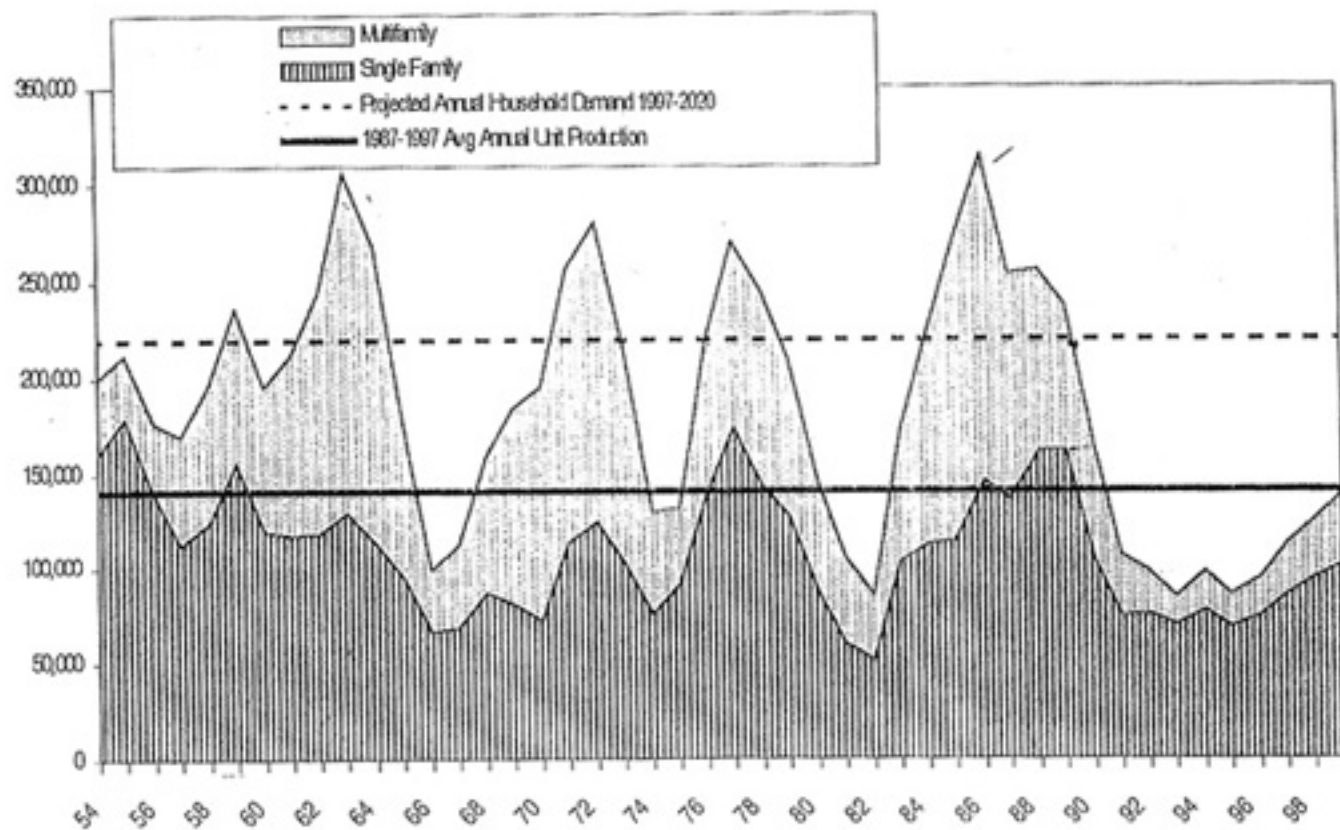
Roots of the Problem:

- 1)** 1986 Federal Tax Reform Act (reduced incentives for private market to invest in multifamily housing.) 150,000 multifamily units produced in 1986, averaged 27,000 units per year since then.
- 2)** Significant disincentives for local government to approve housing. Property tax revenues typically generate much less than service costs. Resulting from a combination of Proposition 13, and state shift of local property tax dollars to fund schools in early 1990's. (\$4.6 billion per year and growing.)
- 3)** California's Changing Economic Climate: State recession, military base closures, declining industrial base, and low quality public education system weakened ability of workers to afford housing and spur demand. Rapid growth of high technology economy produced many high-paying jobs, which required an educated workforce. Widening the gap in a two-tiered economy. High tech workers, etc. establish demand and increase land values.
- 4)** Decline of federal investment in new housing starts. HCD report cites a 66% decline in federal efforts to spur new subsidized housing starts between 1976-1996. Housing was also a low priority for the State Legislature. \$550 million housing bond in 1990, a trickle of funds throughout the 1990s, \$500 million in 2000-2001 budget.
- 5)** Evaporation of condominium construction in 1990s -- a great form of housing that combines affordability, higher densities, and homeownership -- due to construction liability issues.

Recommended Solutions:

- 1)** Reform Local Government Finance. The revenues that come with housing need to pencil out against service costs.
- 2)** Re-establish private investor interest in constructing multifamily housing. Re-visit 1986 Tax Reform Act. Private sector must be the major player in the solution. See SJR 6 (Dunn/Lowenthal) of the 2001 Session.
- 3)** Establish and enhance tax incentives for multifamily housing at the state level. SB 73 (Dunn) is a good start.
- 4)** Establish a permanent source of funding for the production of affordable housing at the state level. The only way to bridge the disparity between low incomes and high land and development costs is through a public subsidy. \$500 million last year was a good start, but the commitment must be ongoing.
- 5)** Develop a solution to the condominium liability issue.

Exhibit 4: California Residential Permits, 1954-1999



SOURCE: California Statistical Abstract, 1966, 1970, 1977; Construction Industry Research Board, 1975-1999.

New Privately Owned Housing Units Authorized by Building Permits - California
Obtained from US Census

<u>Year</u>	<u>Total</u>	<u>Single-Unit</u>	<u>2 Units</u>	<u>3 & 4 Units</u>	<u>5 Units or more</u>	Percentage of permits that were <u>5 units or more</u>	Number of structures with <u>5 units or more</u>
1980	144375	86638	5776	9486	42475	29	3921
1981	104205	60028	3980	8035	32162	30	2777
1982	85031	50761	3142	5481	25647	30	2315
1983	171889	102311	4974	9684	54920	32	4974
1984	224689	112920	6496	13434	91839	41	8214
1985	271396	113647	6390	13765	137594	50	11255
1986	314641	145692	6366	4498	148085	47	11811
1987	251824	134691	4924	11822	100387	39	8152
1988	253369	160735	4366	8955	79313	31	6154
1989	237694	162981	4148	7838	62727	26	5462
1990	163175	104843	3926	5746	48660	30	3991
1991	105956	73885	2342	4554	25175	24	2036
1992	97781	76332	1886	3934	15629	16	1382
1993	84341	69568	1406	2390	10977	13	953
1994	96982	77795	1382	3100	14705	15	1178
1995	83864	68148	1170	2880	11666	14	1002
1996	92060	73532	1138	2457	14933	16	1042
1997	109589	84149	1180	2298	21962	20	1401
1998	124035	93414	1410	2471	26740	21	1673
1999	138039	102750	1134	2460	31695	23	1820
2000	143913	103693	1270	2950	36000	25	1892

(2000 is preliminary)

HCD Raising The Roof

Federal housing assistance levels to California in the future - as in the past - will be substantially inadequate when measured against the level of need.

In California, the federal government provides most funding for affordable housing. In 1998, estimated federal housing assistance to California totaled approximately \$1.2 billion, not including tax expenditures associated with the mortgage interest deduction. Future funding levels for some federal housing programs, such as the Low Income Housing Tax Credit program, generally look secure, and may actually increase. The future of other programs is more uncertain, and will likely depend in part on whether and how federal caps on discretionary spending are implemented. Regardless of which way the political winds blow in Washington, federal housing assistance levels to California in the future-as in the past will be substantially inadequate when measured against the level of need.

How great are future affordable housing needs likely to be? The number of low income households needing some form of housing assistance could increase by 1.3 million by 2020 if; as projected, the number of California households grows to 16.2 million by 2020, and if the current percentage of households who are both low-income and are over-paying for housing remains constant. If there is no comparable increase in housing assistance levels, total unmet affordable housing needs in California will rise to about 3.7 million units in 2020. In fact, these estimates may very well be too low. Because affordable housing needs track with rents, a slowdown in rental housing production will cause rents and therefore affordable housing needs to climb.

Regulatory Constraints

California's local regulatory process is often frustrating to builders and developers, yet it is difficult to assess what exact effect it has had on housing costs and production levels. Part of the difficulty is that the approvals process is administered differently in every city and county. It is, moreover, constantly changing in response to shifting fiscal conditions and popular concerns over growth. Never overtly friendly to housing, the process has in recent years become even less accommodating.

In theory, the development approvals process in California is supposed to be plan-driven. In fact, the over-riding importance of the California Environmental Quality Act (CEQA), the ease with which general plans may be amended, and the widespread adoption of various growth management programs and alternative planning structures have all increased the discretion local governments-and thus indirectly, citizens and neighborhood groups-can exercise over private development proposals. The effect of these supplemental measures has been to elevate the importance of short-term fiscal, traffic, and environmental issues in the development approval process and to reduce the importance of long-term planning. None of these changes has favored housing.

As complicated as the entitlements process has become, some California builders and planners alike have become good at it. Based on a diverse sample of 24 single-family subdivisions and 22 multi-family developments entitled between 1995 and 1998, the average single-family development project involved 3.3 separate development reviews and was approved in just under a year. The average multi-family project was

Based on this sample, it is clear that permit processing times vary widely.

subject to 2.3 reviews, and was approved in seven months. These rates were from communities with generally strong residential permitting activity. Larger single-family projects took no longer to approve than smaller ones. Affordable multi-family projects were approved in an average of 9.8 months, versus 4.9 months for market-rate apartment projects. Projects that did not require a municipal boundary change, a zoning change, a CEQA review, or review by an extra-local agency were approved much more quickly. Based on this sample, it is clear that permit processing times vary widely. Among the projects and jurisdictions sampled, the local approvals process did not result in systematic reductions in density: most of the projects studied were approved at their requested densities.

Almost certainly, the entitlement situation is not as benign as this picture suggests. Many of the sites covered in our analysis were previously or "pre-entitled" during the late 1980s. The sample included more pro-growth communities because of the need to have adequate single- and multi-family permit activity to assess. Some jurisdictions actively use the regulatory process to discourage development-the project-approvals process was not evaluated in those jurisdictions. Nor were the number and types of projects that become regulatory horror stories evaluated. The effects of delays and mandated project design changes on housing prices were also not considered. While our time-line analysis starts after the first permit application is submitted, many of the key activities and much of the time involved in the approvals process, occurs well before actual permit applications are filed. Finally, the cumulative effects of the regulatory process on the composition of the homebuilding industry have not been studied. The very large and well-capitalized homebuilders that remain active in California have successfully learned how to cope with the process. Many smaller and less well-capitalized builders have presumably left the California market.

The regulatory calmness of the 1994-97 period notwithstanding, new storm clouds have recently appeared on the horizon. Pushed by agriculture and open-space interests, a significant number of communities have already adopted, or are considering adopting urban growth boundaries (UGBs). Even more onerous is a series of initiatives that would require voter approval of all new housing projects above a certain minimum size.

The Costs of Underproducing Housing

What might happen should past trends continue and future housing production fall short of demand? How might future housing production shortages affect California and its residents?

California housing prices go up and down in response both to general economic conditions and to shifts in the balance of supply and demand. Between 1969 and 1999, California home prices increased at the average annual rate of 7.5 percent, resulting in a November 1999 median sales price of \$221,890.¹ Prices and rents increased more and faster in supply-constrained coastal markets; and less and slower in inland markets, where production more closely matched demand. Like housing prices, California in

Local Government Coalition Advocating For Comprehensive Housing Solutions in 2002

Under the leadership of Assembly Members Alan Lowenthal, Chair of the Assembly Housing Committee, and Patricia Wiggins, Chair of the Assembly Local Government Committee, a housing working group has been established, involving the Department of Housing and all stakeholders, and will be meeting regularly during the interim and early spring. These discussions will be a critical determinant as to whether consensus can be reached among the various interests, or if the battles continue throughout the 2002 Legislative Session.

In the working group discussions, the League, the California State Association of Counties, the California Association of Councils of Governments, and the American Planning Association are all working together as a coalition to advocate for the Legislature to:

- 1) Implement comprehensive reforms to the housing element process to:
 - address conflicts between local growth projections and state regional housing need (RHNA) numbers,
 - resolve the problems associated with the distribution of RHNA units within a council of governments,
 - achieve improvements to the housing element review process, and
 - develop a neutral dispute resolution process and fair enforcement alternatives to deal with disputes over questions of compliance.
- 2) Develop fiscal tools and incentives to assist local governments in their efforts to encourage housing and finance the infrastructure to support housing, as well as establish an ongoing state commitment to funding affordable housing.
- 3) Require state laws and policies which affect housing and land use to be internally consistent.
- 4) Establish additional legal protections to local agencies that approve affordable housing and that establish local pro-active affordable housing policies.

SIERRA CLUB CALIFORNIA

URBAN GROWTH MANAGEMENT POLICY GUIDELINES

Original adoption 1990

Updated and re-adopted May, 2001, by California-Nevada Regional Conservation Committee

Preamble

This paper presents policies designed to achieve the Sierra Club's vision for the future of California, in which:

- Growth is limited by environmental constraints and infrastructure capacity,
- Development occurs primarily in existing urban centers, designed to achieve social equity, make most efficient use of land, and minimize impacts on natural systems, and
- Additional development outside existing centers occurs only within Urban Growth Boundaries, drawn in accordance with environmental and capacity constraints.

We recognize that these guiding principles must be applied to a variety of local circumstances. They are intended to help activists at the local, regional, and state levels achieve the most environmentally sound possible decisions.

California's population grew by nearly 26 percent between 1980 and 1990, from 23.7 million to 29.8 million, and grew by another 4.1 million persons between 1990 and 2000. Current projections indicate that population may double from the 1990 level to 58.7 million by 2040. In the face of such intense growth, California's fragmented and competitive local land use planning structures and subsidized dependence on drive-alone transportation have contributed to severe environmental and ecological deterioration, including

- Serious air pollution
- Gridlocked roadways
- Strained and polluted water supplies
- Loss of valuable food producing lands and open space
- Increased numbers of endangered species due to loss of critical habitat
- Increased energy consumption
- A lack of affordable housing near places of employment
- Loss of open space
- Excessive consumption of natural resources.

Sierra Club California believes that this state needs a comprehensive program to address the magnitude and management of growth, and to determine what amount of growth is actually supportable, based on constraints analysis, not only on economic projections. Such a program should be based on an assessment of the ability of California's ecosystem to sustain biodiversity and wildlife communities, and on the ability to sustain a particular population level and a set of quality of life goals based on that assessment. Such a program should also be based on regional management of regional problems and land use and transportation reforms. The following policy statement suggests the direction for long-term solutions.

I. URBAN GROWTH BOUNDARIES

All cities and unincorporated urban centers must establish permanent urban growth boundaries (UGBs) that will define the area of ultimate urbanization and protect the county's or region's open space lands. Development shall be directed toward areas within UGBs, in order to avoid adverse impacts upon productive agriculture, wildlife habitat, critical watershed lands, historical and archeological resources, open space lands, and scenic values.

Local governments may establish other means of managing the impacts of growth, such as annual limits and growth caps, provided these methods do not preclude compact development in appropriate locations.

1. Lands within the urban boundary will be devoted to compact residential, commercial, and industrial development that makes efficient use of land and infrastructure. Natural systems and environmentally sensitive habitat areas within the urban boundary must be protected.

2. Lands outside of the urban growth boundaries --- lands that form the area's greenbelt --- will encompass recreational open space, watershed, agricultural, wetlands, wildlife habitat/corridors, shoreline, forest/woodland, and other lands which are essential. To protect biodiversity, these lands must be zoned for uses and in parcel sizes consistent with economically viable units for the agricultural, recreational or resource conservation uses proposed.

3. Annexations of new land outside UGBs to cities shall not be approved by Local Agency Formation Commissions, except in instances when annexation would lead to improved environmental protections. Spheres of influence, areas designated by County Local Agency Formation Commissions to show the ultimate boundaries of each city, should conform to UGBs. County general plans should require that all urban development shall be within cities.

4. New large lot residential development (ranchettes) outside urban boundaries and dependent on wells and individual septic systems should be prohibited in designated metropolitan greenbelts and on all resource lands, i.e. watersheds, productive agricultural lands, and lands zoned for timber production.

II. OPEN SPACE PLANNING AND PROTECTION

We recommend State legislation mandating that the existing Open Space Element of local General Plans be improved to include the following:

5. All cities and counties as well as all metropolitan regions shall prepare Comprehensive Open Space Plans which must include:

- (a) A Biodiversity Inventory identifying:
 - All plant and animal community types and sensitive biological systems, including but not limited to wetlands and adjacent buffers, watershed lands, significant wildlife habitat and corridors linking habitat areas
 - Prime and productive agricultural lands
 - Significant historic and archeological resources
 - Scenic areas
 - Hazard areas
 - Other economic resource lands, e.g. mineral resources, private hunting clubs

- Recreational resource lands
- Lands necessary to provide buffers between urban areas.

(b) Policies for the Protection of these Environmental Systems. A map showing the specific location of lands intended for long-term open space designations. The establishment of agricultural mitigation measures, minimum lot sizes and permitted land uses on open space lands designated for agriculture which are appropriate to sustain commercial agriculture. The establishment of agency cooperation, land acquisition and land management guidelines for the establishment of wildlife corridors, linking protected wildlife habitat areas.

© An Implementation Plan to acquire or otherwise protect these environmental systems. This plan shall include:

A regulatory component using appropriate general plan policies, zoning designations, and techniques such as transfer of development credits and agricultural districts
An acquisition component which identifies funding strategies such as development mitigation fees, local open space bond acts, formation of open space assessment districts, and state and federal sources.

III. LAND USE PATTERNS WITHIN URBAN GROWTH BOUNDARIES: INFILL AND COMPACT URBAN DEVELOPMENT

These policies are intended for implementation in local plans and ordinances, except as otherwise indicated.

6. Urban development should take place only within urban boundaries. Generally, new development should respect the character of the existing neighborhood. Residential densities and commercial floor area ratios must be sufficient to facilitate public transit and nonmotorized transportation and to achieve increased energy efficiency and affordability of housing. Compact redevelopment should be promoted within one-half mile of high service transit nodes and corridors.

7. Commercial development must take place primarily in major central business areas, in order to assure transit destinations of sufficient scale, and a full range of job choice and services to businesses and employees. Such commercial development must have sufficient density to provide for these advantages.

8. Any other major commercial development must take place at locations served by existing or committed future transit lines or hubs. Such future transit hubs shall be located in such a way as to improve the relationship between jobs and housing in the region.

9. To enhance community identity and interaction, a balance of compatible commercial, industrial, residential, and civic uses, enjoyable public places and local parks should be distributed in close proximity in urban neighborhoods. Such mixed-use development will encourage walking, bicycling and use of public transit. Public services, especially the schools, should be improved to encourage revitalization of urban neighborhoods.

10. When working to achieve urban infill, mixed-use neighborhoods and increased densities, it is important to also respect the historical, aesthetic, cultural and human scale values of neighborhoods. New construction shall be designed to be consistent with and/or complementary to existing neighborhood qualities.

IV. HOUSING

The increased provision of affordable and low income housing is compatible with environmental protection when sited and constructed in line with the above policies for urban infill, mixed use, compact development, and neighborhoods. Further, we recommend the following local government programs and policies:

11. Adoption of inclusionary zoning policies, which mandate that a percentage of low-income units be included in new residential development, and adoption of requirements for housing impact fees by commercial development.
12. Development of programs for local funding of low income housing through the establishment of housing trust funds to be financed by fees on commercial development and taxes such as employee tax, payroll tax and business license tax.
13. Incentives for low-income housing development including exemptions from parking and traffic limitations.
14. Funding for the rehabilitation of older housing to affordable units.
15. Legalization of "in-law" or second units without additional parking requirements.
16. Broadening of zoning ordinances to more readily accommodate quality manufactured housing as an alternative to more expensive conventional housing.
17. Utilization of certain publicly owned urban lands such as HUD properties and unused CALTRANS rights of way which are served by transit for the construction of affordable housing.

However, California's serious shortages of low income and affordable housing cannot be solved through land use policies alone. Other factors (such as income levels, mortgage rates, job demand and demographics) are far greater influences. Housing will never be affordable as long as the pace of job development exceeds the pace of nearby residential development.

V. PHASING AND CAPITAL IMPROVEMENT PLANNING

State law should mandate that no development project be approved by a public agency unless a commitment has been made for financing the necessary roads, water and sewer facilities, gas and electricity, parks, open space, schools, and other public facilities related to that project. Development should be phased according to short and long range Capital Improvement Plans to ensure the timely provision of public facilities and services.

18. State law should mandate that local governments establish Level of Service (LOS) criteria for major public services/infrastructure--sewer and water, main transit and transportation routes, gas and electricity, parks, open space, schools, fire and police--in their community. These should be reviewed annually at a public hearing. LOS criteria should not be used to justify expansion of roads and freeways that serve single-occupant vehicles.

19. It shall be a high priority of local government to maintain existing infrastructure. Future growth

should not be expected to remedy shortfalls in the existing levels of service.

20. User fees are recommended for the costs of maintaining infrastructure.

21. Taxes to pay for infrastructure shall be placed on those transactions that chiefly affect the facilities of concern (i.e. a gas tax rather than a sales tax to pay for roads).

22. Existing urban areas shall pay for maintenance of their own infrastructure, and not be substantially subsidized by new development.

VI. URBAN AIR QUALITY/TRANSPORTATION

Urban development shall be managed to achieve and sustain clean air by integrating land use and transportation planning, particularly by the following means

23. The rate and intensity of growth shall be carefully monitored to assure that air quality attainment plans are not compromised.

24. Air districts shall have indirect source review powers that allow them to veto local and regional development projects threatening attainment of air quality standards.

25. Local governments shall implement land use and other policies that maximize pedestrian, mass transit and bicycle access to job, entertainment, and commercial centers.

26. Only areas well served by mass transit shall be zoned for commerce, offices, and manufacturing.

27. Lands around transit stations shall be zoned for higher density development in order to facilitate transit use.

28. Urban transportation planning shall place an increased emphasis on public transit, car-pooling, van-pooling, pedestrian and bicycle routes as well as related trip reduction and congestion management techniques.

29. Public transit services shall be coordinated to enable easy and timely transfers between them, with information on routes readily available, and preferential rights of way and the ability to pre-empt traffic signals wherever possible.

30. Parking in business, commercial and industrial centers shall be limited or made more expensive in order to encourage transit use.

VII. REGIONAL PLANNING

Effective regional planning and decision making are necessary to address the complex environmental protection (air and water quality, open space, habitat), transportation, waste management, jobs and housing needs of metropolitan areas. We recommend state legislation to create a land-use decision-making process that locates urban growth to optimize the use of existing and committed future transportation systems.

31. To accomplish this, the State shall:

- Adopt a State Comprehensive Plan, based on analysis of growth projections, environmental constraints, and infrastructure requirements, to guide the conservation and development of the state. The plan shall provide the basis for identifying critical issues, determining state priorities, allocating limited resources, and coordinating the plans of the various state, regional, and local government units
 - Develop a program to mandate coordination of land use, transportation, and infrastructure decision-making at the local and regional level
 - Require the preparation of multi-jurisdictional general plans at the regional level
 - Identify potential changes to the tax structure, including tax-base sharing, to minimize the competition between local jurisdictions for land use development that generates high levels of tax revenues
 - Develop broad policies for the intensity and location of urban growth, the permanent preservation of open space, the balance of employment with appropriately priced housing, and the desirable interrelationship of land uses and transportation facilities in rural, suburban, and urban areas, and provide financial incentives for jurisdictions that include an appropriate balance of transportation and land use in their general plans.

VIII. CHARACTERISTICS OF URBAN DEVELOPMENT

32. Urban development should take place within urban growth boundaries described in Section I rather than at remote locations. All urban development shall have the following characteristics:

- Basic, well-paying jobs (jobs in basic services and industries that are not primarily minimum wage, retail, or part-time positions)
- Housing affordable to the people who will have those jobs
- Infrastructure such as transit, roads, sewer and water services (including an identified water supply), gas and electricity, parks, open space, schools, and medical care
- Infrastructure capacity should be no greater than what is necessary to support development that is consistent with environmental constraints. Developers should pay the true costs of needed additional infrastructure
- Full commercial services such as food, fuel, etc.
- Consistency with regional plans, including an analysis of employment and housing needs within that region.

33. It is essential that new development not serve as a destructive economic drain on existing urban centers within the region.

34. It is not appropriate to cancel Williamson Act contracts in the process of approving a development proposal. Non-renewal, and the long term planning approach evidenced by that method, is the only appropriate method for dealing with any Williamson Act contracts which cover lands considered for development

35. Development on prime agricultural or other valuable resource lands may be acceptable only if similar resource lands are permanently protected in conjunction with the development.

36. To protect the continued viability of surrounding agricultural and resource lands in previously undeveloped rural areas, a development plan must include a permanently protected greenbelt or agricultural buffer. The open space to be protected should be of greater value than would otherwise occur.

37. Communities should give priority to reusing infill and brownfield sites.

38. All urban development should conform to the following design criteria:

- Provision for use of alternative energy sources, green building materials, and other measures to assure energy efficiency
- A transportation system to assure that at least half of commuters are by non-drive alone modes
- Routine shopping should be within a maximum of a ten minute walk from all residences
- Land uses should be dense and mixed
- All parking should be paid for directly by the user
- Residential parking should be limited to half the number of driving age population
- All streets with residential and commercial access should be designed to slow traffic to 20 MPH or slower
- There should be provision for use of reclaimed water
- There should be transit access to a major urban center within a 30-minute travel time.

IX. LONG-TERM LIMITS TO GROWTH IN CALIFORNIA

Land use measures alone do not address the dynamics of the current 34 million Californians and a potential doubling of this number by the year 2040. Even if future growth is accommodated in the most environmentally sound manner, eventually population will exceed a level sustainable by available natural systems, including air, water, and energy.

The Sierra Club has long supported population stabilization for each nation of the world as an essential element of long-term environmental protection. No land preservation, energy conservation or pollution-control programs can be ultimately successful if population increases without limit. As a state, California is less able to influence its population increase than a sovereign nation can. California's growth is affected both by births among its residents as well as by the attractiveness of the state relative to other places.

At a minimum, California should do the following:

Each State resource or pollution-control agency should conduct an assessment of the level of future population the built or natural environment under its purview can sustain without further deterioration. Following the preparation of such analyses, the State should adopt an explicit population policy endorsing a reasonable goal for future growth which is in harmony with the ecosystem upon which life depends.

The State should provide adequate funding for family planning programs, so unwanted pregnancy in California is reduced to an absolute minimum.

Regional planning efforts should include similar assessments of the long-term carrying capacity of their region, and regional plans should be based on this carrying capacity.

X. GROWTH MANAGEMENT INITIATIVES

(See Appendix for description of different types of growth management controls.)

39. The object of growth management initiatives is to achieve compact, mixed use, transit-oriented, pedestrian and bike-friendly neighborhoods supplied with housing affordable to local employees, good public transit and abundant parks, natural areas, and open spaces, and with outlying areas protected from development. The local community should be actively involved in the review and design of their neighborhood.

40. The Sierra Club will generally support land use initiatives that establish firm urban growth boundaries around existing cities, and encourage compact development and affordable housing within the urban area.

41. Growth management initiatives should be accompanied by local measures to help make housing affordable, such as inclusionary zoning requirements and housing impact fees.

42. The Club will not support local growth initiatives that discourage infill and affordable housing. For example, the Club will not support initiative efforts by community groups that seek to stop or overturn multi-family (e.g., apartment) development projects, or subject affordable housing projects to public vote or onerous conditions.

43. Club members should work with neighborhood and community organizations as initiatives are being prepared to ensure that the measures contain a clause that specifically exempts affordable and multi-family housing projects from the initiative. Initiatives that do not contain such an exemption may be in violation of State housing laws.

44. Initiatives that establish urban growth boundaries and require public votes to change the boundaries are preferable, especially when the initiatives are coordinated with programs to encourage infill compact development and protect open space and agricultural lands at the fringe of the urban area.

45. Many communities have adopted growth management programs that rely on annual numerical caps or growth rates. In certain circumstances, such as rapidly growing suburban cities, the Club may support the use of numerical or growth rate restrictions, if they include provisions to encourage affordable and higher-density housing. In these communities, voter initiatives to strengthen or reduce the numerical growth rates may be supported by the Club especially during periods of rapid growth when infrastructure systems are being stretched beyond capacity. It is important that all numerical or growth rate initiatives not reduce growth below a reasonable threshold, i.e., the amount of housing that can reasonably be provided within environmental and infrastructure constraints. Numerical or percentage growth limits should accommodate a reasonable amount of housing growth at transit-friendly densities, in locations near jobs, recognizing environmental constraints. However, numerical caps are generally the least desirable type of growth management, and local activists should investigate other means of achieving their objectives.

46. Ballot measures that require development projects to meet specific infrastructure standards should be considered on a case-by-case basis. It is sometimes difficult to quantify objective infrastructure standards that can apply equally to all development projects. Land use measures that vaguely seek to have “new growth pay for all of its costs” and “mitigate all its impacts” may be difficult to quantify. On the other hand, city growth plans and development projects should recognize infrastructure constraints, even with the technical difficulties of applying some infrastructure standards. For example, supportable growth measures could state that new development may not be approved without a verifiable and reliable water supply, or without funding adequate roadway improvements. However, it is important that the environmental effects of projects that will be needed to provide infrastructure be evaluated carefully,

since some of the infrastructure projects that will be required by the initiative language may not be acceptable (e.g., widening of roadways).

47. Citizen initiatives that “downzone” or reduce allowable building densities throughout a city, or in certain areas, should be scrutinized carefully. The Sierra Club supports compact infill development in existing urban areas at densities that support public transportation and a wide array of services. Citizens groups sometimes draft initiatives that are aimed at reducing allowable housing densities in their neighborhoods as a strategy to require construction of only expensive housing on large lots (one-half acre or more). Such initiatives should not be supported.

48. Note, however, that downzoning of residential neighborhoods in ecologically sensitive or hazardous areas, or areas with no public services (such as hilly areas prone to landslides or fires, or rural areas with no sewer service), or areas outside Urban Growth Boundaries may be a good idea. Also, downzoning initiatives that mandate an increase in minimum parcel size in agricultural zones should generally be supported as a sound strategy to prevent the premature conversion of agricultural lands to urbanization.

DEFINITIONS

Affordable housing: Residential development that provides units affordable to individuals and families in the very low, low, and moderate income categories, as defined by the U.S. Department of Housing and Urban Development (HUD) for that community.

Infill: Development in areas that are surrounded on three or four sides by existing urban development and that have available all necessary services.

Infrastructure: Public and private facilities necessary to support residential and commercial development.

Metropolitan regions: Multiple cities of 10,000 to 150,000 in close geographic proximity with total population of at least 250,000.

Appendix: Types of Growth Management Initiatives

This section contains a brief description of the types of growth management initiatives that are being proposed by local grassroots groups, and policies that will help to guide the Club in deciding whether to support specific local initiatives. It is important that Club activists work with local groups as ballot initiatives are being written, so that our recommendations are included and we are not put in a position of having to endorse an imperfect or flawed measure. It is also important to work out conflicts among different Club entities before acting on proposed initiatives.

There are generally five types of land use ballot measures that are being used in California

- urban growth boundaries or urban limit lines
- X numerical caps or annual growth rates
- X public votes required on major development projects
- X growth tied directly to infrastructure standards
- “downzoning” or reducing densities

Often two or more of these growth strategies are employed together, e.g., establishing urban growth boundaries and requiring public votes to rezone land beyond the boundaries.

An urban growth boundary is defined by the Greenbelt Alliance as “an officially adopted and mapped line dividing land to be developed from open space lands to be protected for natural or rural uses. Urban growth boundaries are regulatory tools, designated for long periods of time 20 or more years. They bring certainty to the issue of which lands will be developed and conserved, and can lead to programs that encourage appropriate development inside the boundary and enhance long term ecological, agricultural and other uses of natural lands outside the boundary.” A long term boundary is a proactive growth management tool that seeks to contain, control, direct or phase growth in order to promote more compact, contiguous urban development. The other key purpose of urban growth boundaries is to protect farmlands and other resource lands like watersheds or wildlife habitat from scattershot or low density development.”

A numerical growth cap or annual growth rate is used by many communities to meter the amount of housing or job growth that is approved during one year to an agreed upon percentage growth rate (e.g., 2% housing growth per year) or a specific amount (e.g., 600 housing units per year). The purpose of setting a numerical cap or annual growth rate is to ensure that existing infrastructure systems (roadways, schools, water supply) don’t become overwhelmed by rapid growth and cause a deterioration in the quality of life for existing residents. Numerical or percentage growth measures are often employed by local communities that are experiencing rapid housing or office growth because of regional market pressures, such as rapidly growing suburbs on the edge of major metropolitan areas.

An increasingly popular form of growth management is to require a public vote for major development projects of a certain size (or in a certain area), in addition to approval by the city council and/or planning commission. Initiative measures may mandate that growth proposals to rezone lands outside the city limits (annexations) be subject to a public vote or may mandate public votes on projects over a certain size.

A fourth type of growth management that is sometimes instituted by voter initiative are ballot measures that require development projects to meet specific infrastructure standards. Recent land use initiatives have tied development approval to traffic level of service standards at key intersections or along major roadways, i.e., new growth must ensure that traffic congestion at an existing intersection is not worsened.

The fifth type of initiative is “downzoning” or reducing allowable densities. Such initiatives are often aimed at reducing allowable densities in partially developed residential areas to preserve the “large lot” semi-rural feeling. “Downzoning” refers to the rezoning of land so that fewer units per acre can be accommodated under the general plan or zoning regulations. Some initiatives seek to downzone commercial areas by reducing the maximum height limits allowed for new commercial buildings.

Growthmgmt.final
8/27/01

January 14, 2002

The Honorable Martha Escutia
State Capitol, Room 5080
Sacramento, CA 95814

RE: SB 355 (Escutia) SPONSOR

Dear Senator Escutia:

Consumer Attorneys of California is pleased to sponsor SB 355, which will be heard soon before the Senate Judiciary Committee.

Summary. Under the recent California Supreme Court decision, *Aas v. Superior Court (2000) 24 Cal.4th 627*, a homeowner has to wait for her family to be injured or home damaged before the builder will be liable for negligence. For example, the owner may discover that a firewall, required by the building code, is not present in her house due to the builder's negligence. Under *Aas*, until there is a fire that burns the house down or injures the family, she cannot sue in tort to get the builder to repair the defect. (See the attached detailed analysis of the *Aas* decision.)

Homeowners need legislative action to get dangerous defects repaired. This decision cries out for a legislative remedy. The California Supreme Court specifically commented on the need for a legislative solution. In *Aas*, the court broke from well-established law when it ruled that builders who violate building codes and fail to install safety protections such as fireproofing, seismic restraints or proper electrical wiring may not be held liable in negligence until the building code violations cause death, bodily injury or property damage.

The Sacramento Bee, in an editorial entitled "License for Unsafe Homes," denounced the Supreme Court decision, which "makes owners pay for builders' negligence," saying, "You can't sue the builder for negligence until the house burns down and injures or kills your children," adding, "A homeowner who learns that a builder's negligence has left her home a firetrap or a collapse waiting to happen has suffered real harm; the house is worth less and there are costly repairs to make."

Homeowners' associations must repair construction defects, but cannot

recover their costs. The Aas decision places homeowners and homeowners' associations in a particularly troublesome bind. When the homeowner discovers a building code violation, the homeowner must repair the defect to protect himself and must disclose it to future buyers. The homeowners' association does not have a choice. Under law, it is obligated to take reasonable measures to properly maintain the common areas of the community, and the shoddy construction typically occurs within the building walls which are common areas. And yet, under the Aas case, the association cannot recover the costs of curing the code violations from the company that created them.

Chief Justice Ron George dissented from the Aas decision, arguing that the majority opinion offended common law and common sense. He said:

“Other courts faced with the question we address today have asked: Why should a homeowner have to wait for a personal tragedy to occur in order to recover damages to repair known serious building code safety defects caused by negligent construction? Perhaps because those courts have addressed the matter from such a commonsense perspective, they have reached conclusions very different from that adopted by the majority in the present case. In determining that a negligently constructed home must first collapse or be gutted by fire before a homeowner may sue in tort to collect costs necessary to repair negligently constructed shear walls or fire walls, the majority today embraces a ruling that offends both established common law and basic common sense.”

Both the majority and the dissent commented on the need for legislative action on this topic. The majority commented that “...certain choices are better left to the Legislature,” adding:

“That body has at its disposal a wider range of options and superior access to information about the social costs and benefits of each. ‘Legislatures, in making such policy decisions, have the ability to gather empirical evidence, solicit the advice of experts, and hold hearings at which all interested parties may present evidence and express their views...’”

And dissenting Chief Justice George said:

"In light of today's majority opinion — which misapplies and improperly disapproves California's established case law and, in failing to recognize an appropriate and limited right to recover costs to remedy serious safety code violations, rejects the reasoning of well-considered decisions of our sister-state courts — the obligation falls upon the Legislature to correct this court's unfortunate misstep in the development of the law, and to provide the protection that California residents deserve."

SB 355 would restore a homeowner's right to get building code violations repaired before injury, death, or property damage occurs. If you would like to discuss this issue further, please feel free to contact me or one of our legislative representatives in Sacramento.

Sincerely,



Buii ty /w me, sa# Astd round!

3101 ocean park boulevard, suite 103, santa monica, ca 90405 (310) 581-4421 -
fax: (310) 581-4431 - HomeSafeCampaign@aol.com

Contact: Kelly Hayes-Raitt, (310) 581-4421

Overturn California Supreme Court's Aas Decision:

Sumport SB 355

Protect Homeowners and Fire Fighters

*Home builders who knowingly violate fire safety codes are nat
held responsible until after the fire occurs!*

Last December, the California Supreme Court ruled in Aas vs. Superior Court that homeowners cannot sue negligent builders for shoddy construction until after the damage occurs. Thus, a builder who violates fire safety codes cannot be held responsible until a home is in flames - endangering families *and* fire fighters.

In Aas, the court broke from well-established law when it ruled that builders who violate building codes and fail to install safety protections such as fireproofing, seismic restraints or proper electrical wiring may not be held liable for negligence until the building code violations cause death, bodily injury or property damage.

Aas Decision Threatens Fire Fighters

Holding home builders legally accountable for the quality of homes they build, sell and profit from is one way to improve homes' safety.

The roof is where fire fighters first confront the blaze: They go up on the roof to drill a hole above the fire, creating a "chimney" for the fire to vent and contain itself within the home. The closer that hole can be to the fire, the less damage the fire will cause. Today's builders generally use pre-manufactured lightweight trusses to cut costs. These prefabricated roofs - "glorified Lincoln Logs," as one fire fighter described them - are so precarious, every step could be the weak link that collapses the entire roof and plummets fire fighters into the burning floors below. In fact, during a fire, today's roofs are more likely to collapse from a building's poor construction than from the fire itself.

Fire fighters rely on certain assumptions, based on adherence to required fire safety building codes, about how far and fast a fire will travel before reaching the roof. A thicker, denser fire wall, for example, is required between garages and homes or between two condos. When these protective walls are replaced by cheaper, flimsier walls, or are compromised unlawfully by holes (for plumbing, electrical, telephone or cable lines), the fire can race unheeded - and unpredictably - to the roof.

One fire chief and fire trainer said:

We literally put our lives on the line based on our faith that the builder has done his job. We're training our men and women differently today to compensate for lightweight truss construction, lesser quality materials and builder ethics.

The National Institute for Occupational Safety and Health reports that "fire fighters are frequently injured or killed when burning structures collapse without warning.... Structural collapse caused 18% of fire fighter deaths... [and] often result[ed] in multiple fire fighter fatalities."

Aas Decision Threatens Homeowners' Associations

The Aas decision puts homeowners' associations in a particularly bad Catch-22. By law, they must repair potential safety hazards caused by construction defects in common areas such as exterior walls, foundations and roofs - all areas where shoddy construction typically occurs. Under Aas, however, they can't recover their repair costs from the builder that created these hazards. *By law, associations are required to prevent accidents; under Aas, they're not allowed to recoup costs unless the accident occurs*

One association vice president vented his frustration:

It doesn't seem right that we've had to pay \$250,000 out of our own pockets to fix the builder's mistakes.

Chief justice Ron George dissented, arguing that the majority opinion offended common law and common sense. He said:

Other courts faced with the question we address today have asked: Why should a homeowner have to wait for a personal tragedy to occur in order to recover damages to repair known serious building code safety defects caused by negligent construction? Perhaps because those courts have addressed the matter from such a commonsense perspective, they have reached conclusions very different from that adopted by the majority in the present case. In determining that a negligently constructed home must first collapse or be gutted by fire before a homeowner may sue in tort to collect costs necessary to repair negligently constructed shear walls or fire walls, the majority to dnv embraces g ruliaQ that offends both established common law and basic common sense. (emphasis added)

Legislative Action Needed

Both the majority and the dissent commented on the need for legislative action. The majority responded that while the Chief justice's social policy concerns were Valid, the Court's job was limited to interpreting California law, and if the law does not make common sense, homeowners should seek change from the Legislature.

In his dissenting opinion, Chief Justice Ron George wrote:

In light of today's majority opinion - which misapplies and improperly disapproves California's established case law and, in failing to recognize an appropriate and limited right to recover costs to remedy serious safety code violations, rejects the reasoning of well-considered decisions of our sister-state courts - the obligation falls Ups 2nthe Legislatu re to corre this court's unfortunate missten in the development -of the law, and ta provide the protection that California residents deserve.
(emphasis added)

SB 355

Fortunately for homeowners, Senator Martha Escutia has introduced SB 355 to overturn the Aas decision; thus, restoring builders' legal responsibility to fix violated fire and other safety codes.

1/16/02



Build rse~ korse~ sa~ a~cd sound!

3101 ocean park boulevard, suite 103, santa monica, ca 90405 (310) 581-4421 • fax:
(310) 581-4431 • HomeSafeCampaign@aol.com

HOMESAFE'S SUPPORTERS

The following organizations oppose legislation which would restrict homeowners' legal rights to hold home builders accountable for shoddy construction and fire code violations that could lead to toxic mold and other defects:

CIVIL RIGHTS ADVOCATES

California League of United Latin
American Citizens (LULAC)
Center for Public Interest Law Chicano
Consortium Children's Advocacy Institute
Community Alliance for Stability & Healthy
Economics (CASHE) National Lawyers
Guild, Bay Area Chapter Neighbor To
Neighbor South Central Los Angeles
Ministry Project

SENIORS ADVOCATES

AARP (formerly American Association of
Retired Persons)
Congress of California Seniors Emeryville
Senior Center Older Women's League Gray
Panthers - Los Angeles West Gray Panthers
of El Cerrito Gray Panthers of Northern
California Gray Panthers of West Contra
Costa County

PUBLIC HEALTH ADVOCATES

California Nurses Association El Concilio
Oblone Student Health Center Physicians for
Social Responsibility Southern California
Health & Housing Council Watts Health
Foundation, WIC Program

AFFORDABLE HOUSING ADVOCATES

Esperanza Community Housing Corporation
Fair Housing Council of San Gabriel Valley
Los Angeles Coalition to End Hunger and
Homelessness Sacramento Housing Alliance
Sober Living Network, Inc.

Venice Community Housing Corporation
Westside Fair Housing Council

HOMEOWNERS ORGANIZATIONS

California Legislative Action Committee
Community Associations Institute
Executive Council of
Homeowners Homeowners for
Better Buildings
League of California Homeowners
Prominence Homeowners of Hayward,

CA Homeowners Against Deficient
CONSUMER ADVOCATES

CALPIRG Consumer Attorneys of
California Consumer Federation of
California The Foundation for
Taxpayer and Consumer Rights
Center for Justice and Democracy
Consumer Action United Policy
Holders

FIREFIGHTERS California

Professional Firefighters

WORKERS

AFSCME Retiree Chapter #144

Federation of Retired Union Members

**Laborers International Union of North America,
Local 270**

**Int'l Longshore Workers Union, Local #6,
South Bay Pensioners Club**

WORKSAFE!

BUSINESSES

**National Latino Real Estate Association
Imfeld and Imfeld Property Management
Ken and Carol Maul, Realtors Michael W.
Strode, Lee & Associates Urban
Dimensions EMS Laboratories, Inc. Aqua
Restoration Barr & Clark**

ENVIRONMENTAL ADVOCATES

**California League of Conservation Voters
California Earth Corps Center for Community
Action and Environmental Justice Coalition
for Clean Air Families Against Toxic
Environments Families Against Toxic
Exposure Moldgoddess.com Pacoima
Beautiful Philippine Action Group for the
Environment People's CORE Strategic Action
for a Just Economy**

MUNICIPALITIES AND AGENCIES City of Santa Monica

**County of Los Angeles Department of Health
Services, Public Health Programs, Office of
Health Assessment and Epidemiology**

HOMEOWNERS ASSOCIATIONS

**Avalon at Eagle's Crossing Homeowners
Association (Oceanside) Bernardo Heights
Unit 24 (Rancho Bernardo) Camelot at
Eastlake Shores Association (Chula Vista)
Camino Villas I Community Association (San
Diego) Canterbury Ridge Homeowners
Association Carmel Mountain Ranch (San
Diego) The Colony at California Oaks
(Murrietta) The Colony at Lake San Marcos
(San Marcos) Coral Cove at Carmel Del Mar
Condominium Association (Del Mar) Creek
Bridge Homes (Hollister) El Niguel Terrace
Homeowners Association**

**(Dana Point)
400 Union Avenue Homeowners Association
(Campbell)
Jackson Plaza Homeowners Association
(San Francisco)
Laing's First Edition at the Village of
Heritage Homeowners Association
The Lakes at Carmel Del Mar
Homeowners Association (Del Mar)
Lake Park Terrace Homeowners Association
Rancho Fanita Owners Assn (Santee) PRR
Homeowners Association (Chino Hills) Rancho
San Diego Association (El Cajon) Shadow Glen
Homeowners Association (La Mesa) Sunstream
Homeowners Association (Del Mar) Villa
Camino Homeowners Association (San Mateo)
Villa del Lago at Laband Village (Chino Hills)
West Village at Singing Hills Homeowners
Association (El Cajon) Willow Wood
Homeowners Association (Mountain View)**

**POLITICAL LEADERS California Democratic
Chicano /Latino Caucus Evergreen Democratic
Club (San Jose)**

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**POLITICAL LEADERS California Democratic
Chicano /Latino Caucus Evergreen Democratic
Club (San Jose)**

NEWSPAPERS

Los Angeles *Times* Sacramento *Bee*
San Francisco *Chronicle* Santa Rosa
Press Democrat

1/16/02

February 15, 2001

Honorable Richard Polanco
California State Senator
Senatorial District #22

Dear Senator Polanco:

The **California League of United Latin American Citizens (LULAC)** asks you to join us in supporting a new coalition fighting the building industry's attempts to weaken or eliminate minorities' legal rights.

Maria Hernandez has replaced the carpeting in your condominium's bathroom and adjoining bedroom three times because brown wastewater from her upstairs neighbors' toilet periodically overflows out of her toilet.

Nine-year old Christopher Ocampo wakes at night with his pajama top soaked in blood from his nosebleed reactions to the toxic mold growing in his family's bathroom and bedroom.

Alejandro Zaragoza's pediatrician forbade he and his wife from bringing their prematurely born daughter home to his mold-ridden condo. But, he had no choice. He could not afford both rent and a mortgage on his hotel worker's salary.

These new homeowners dreamt of creating a better life for their families. What they got instead were homes plagued with construction defects. Now they can't sell their devalued homes. They can't afford to fix the builder's mistakes. And they can't afford to walk away from their investment. After years of trying to get the builder to repair his mistakes, they finally exercised their last recourse: They filed a lawsuit.

Although construction defects pose a public safety and health danger to all Californians, new homeowners are particularly affected. **Minorities, seniors and first-time homebuyers are more likely to purchase homes with construction defects since builders cut more corners when building condominiums, town homes, and other lower-cost housing.**

During this building boom, builders are building homes faster, cutting corners and trimming wages. Homeowners are plagued with fireplaces that belch smoke into living rooms, walls covered with toxic mold, rotted roofs, balconies that are unsafe to walk on, fire hazards, even beetles that hatch and bore their way through walls.

Even more disturbing is the huge rise in construction worker injuries and deaths. Since 1995, builders' cost cutting has led to a 40% increase in construction site accidents and 433 workers-many of whom were Latinos-have died on sites.

The building industry's response has been to lobby the Legislature to eliminate homeowners' legal rights. This year, they will sponsor legislation

to restrict homeowners' ability to get their homes repaired-with the ultimate goal of allowing builders and insurance companies to evade legal and financial responsibility for substandard construction. None of their efforts is aimed at making homes or construction sites safer.

If builders are allowed to abrogate their legal responsibility, they'll use the cheapest labor and materials they can find, building shoddier housing on less safe work sites. If, on the other hand, they are held fully legally and financially accountable for the products they sell, *they'll learn how to avoid lawsuits-by building homes safely in the first place with skilled labor and quality materials.*

The California League of United Latin American Citizens (LULAC) has passed a resolution opposing any attempt to limit or eliminate homeowners' legal rights. We urge you to join us in protecting consumers' rights. We are concerned about the impact construction defects have on minority families' health and homes, specifically:

1. Lack of Affordable Housing: People who live in affordable housing generally minorities, seniors and first time homebuyers like Marta Hernandez and Alejandro Zaragoza-are not only at greater risk of living with the impacts of construction defects, but have fewer resources for fixing their homes or moving their families into safer housing. They need greater legal protection, not less.

2. Rise in Worker Accidents and Deaths. In the last five years, the number of workers (including many Latinos) have been injured or have died on construction sites has risen as builders have employed less skilled and more poorly trained workers. Eliminating homeowners legal rights does nothing to protect workers and guarantee the building of a safe home.

3. Confusing Contracts that Eliminate Legal Rights: Many housing purchase contracts and other complicated legal documents are written in confusing technical language that even native English speakers find too cumbersome to read accurately. Potential homebuyers for whom English is not their first language are at a grave disadvantage. Before homeowners sign away their legal rights and relinquish control over the repairs of their homes, it is critical that non-native English speakers fully understand the terms and ramifications of their legal contracts. If the Latino homeowners mentioned above had signed away their legal rights, they would have no recourse today.

Before you vote on this important and controversial issue, I would like to invite you to tour an affordable housing complex riddled with construction defects in Santa Ana and to meet personally with low-income Latino families who are living with this nightmare. Please call me at 831-637-1342 or 877-77LULAC.

Thank you.

Sincerely,

Mrs. Mickie Solorio Luna
State Director, California LULAC

Subdivision held up as case of how not to build

Residents, official battle the loosening of state standards

By Eric Brazil
OF THE EXAMINER STAFF

DALY CITY — Chimneys out of plumb, windowsill mold, water-damaged sidings, poor drainage, erosion, unsafe stairs, faulty light switches. If it can be built wrong, it probably happened at the Summit

at Serramonte Townhomes, its residents contend.

They offered their 148-home, 10-year-old view subdivision as Exhibit A in a campaign to prevent what State Sen. Jackie Speier, D-Hillsborough, calls the "dumbing down" of California construction standards.

The Bay Area media was treated to a house-of-horrors show-and-tell tour of Summit homes Friday, courtesy of its residents and the HomeSafe Campaign, an advocacy organization sponsored by the Cal-

ifornia Association of Consumer Attorneys, which represents trial lawyers.

Yolanda Alicante, who purchased her house at 389 Michelle St. for \$430,000 two years ago, showed Speier and the group of reporters accompanying her some mold-covered windowsills that she blames for exacerbating her 9-year-old son's asthma.

On their doctor's advice, the Alicantes spent about \$5,000 removing carpet from all rooms and

[See CONSTRUCTION, A-18]

♦ CONSTRUCTION from A-1

Subdivision held up as poor example

installing an air purifier to defeat the mold problem, to no avail. Their 3-year-old daughter is also asthmatic. "I think the mold is the No. 1 reason for that," she said.

Other houses had large areas of waterlogged sidewall removed and covered with the heavy black insulating material that was left out by the builders. The chimney at 370 Michelle is so loose that a man can waggle it 6 inches in any direction. A nest of PVC pipes has been installed behind several houses to al-

leviate a drainage problem.

The Summit at Serramonte Townhomes homeowners association president has spent \$250,000 for remediation and is on the verge of levying a special assessment on members to catch up with the backlog, said association vice president Andrew Som. Problems associated with shoddy construction are pervasive in the subdivision, he said.

The association has sued Stafford Homes, the builder, but the complaint has not yet been set for trial.

Oakland attorney Jeff Leon, who represents the builder, called the association's claims "terribly

overblown. The case has been sitting sleepy and moribund for four years, which is indicative of the lack of the severity of the case." Also, Leon said, the homeowners "had a cow" that the company had sent investigators to the subdivision to perform tests on their claims.

Speier said that two factors made the issue of home safety construction a pressing concern.

First, she said, the California housing market is white hot, and builders are going full-speed ahead.

Second, the California Building Industry Association is preparing to make another big push to limit builders' liability for shoddy con-

struction and make it harder for home owners to get their homes repaired.

Six building industry-backed bills to attain those ends were defeated during the last session of the Legislature.

Given the accelerated pace of home construction in the state, some builders are likely to cut corners, Speier said; consequently, now is not the time to limit their liability or make it harder for homeowners to sue.

"We need to make sure they're building according to code and that the product is up to standards ... and resist efforts in Sacramento to dumb down the system," she said.



THURSDAY
October 21, 2000

The Sacramento Bee

WWW.SACBEE.COM

OPINION

License for unsafe homes Supreme Court makes owners pay for builders' negligence

After months of looking, you finally find and buy your dream home, a 3-year-old house in a subdivision with good schools. Two years after you move in, an electrician installing an extra circuit for a hot tub tells you that the house has been improperly wired, in violation of building safety codes and in ways that risk burning down the house. Investigating the wiring problem, a house inspector also discovers that the builder didn't fasten together parts of the structure as code requires, creating a likelihood of severe damage in high winds.

What legal action can you take as a homeowner to recover the costs of repairing the dangerous defects? You can't collect from the person who sold you the house; he had no way of knowing of the hidden defects. You can't sue the builder for breach of contract or warranty because, as a second owner of the house, you had no contract or warranty. And now, according to a decision this month by the California Supreme Court, you can't sue the builder for negligence until the house burns down and injures or kills your children.

Are you getting angry now? Well, take a deep breath. It gets worse. Unless you repair the defects that are the result of the builder's negligence, you could be liable if they result in injury to someone else.

In ruling that a homeowner can't recover from a negligent builder for harm from construction defects until they've caused injury or property damage, five members of the Supreme Court callously asked, "What harm?"

Knowing that faulty wiring could burn down your house is only "speculative harm or the threat of future harm," the majority said in an opinion by Justice Kathryn Werdegarr.

But as Chief Justice Ronald George and Justice Stanley Mosk pointed out in separate dissents, that callousness "offends both established common law and basic common sense," to use George's strong words. A homeowner who learns that a builder's negligence has left her home a firetrap or a collapse waiting to happen has suffered real harm; the house is worth less and there are costly repairs to make.

And the whole state suffers, too. By shielding builders from liability, the court has made them less likely to follow the building safety codes.

All the justices agree that there is a problem here that the Legislature must fix. Homeowners who can't sue negligent builders for contract or warranty violations need to be able to recover repair costs for dangerous safety code defects to their family's most important asset.

The trick for lawmakers will be to get justice for homeowners and the right incentives for builders to pay attention to the safety codes without opening the door to frivolous suits that only enrich trial lawyers and add to the already high cost of housing in the state. Assemblyman Darrell Steinberg, new chairman of the judiciary committee, will take a first step next month with hearings on using alternative dispute resolution mechanisms to deal with construction defects. That's a good place to start.

Assembly California Legislature Manny Diaz

ASSEMBLYMEMBER, TWENTY-THIRD DISTRICT
VICE-CHAIR, LATINO LEGISLATIVE CAUCUS, NORTHERN REGION

Assembly Bill 1891 (Diaz) Local Housing Trust Fund Act of 2002

Assembly Bill 1891 will encourage the formation of new local housing trusts in the state of California as a viable strategy to respond to California's Housing crisis. It will also support those Local Housing Trusts already in existence.

AB 1891, will require the Department of Housing and Community Development to establish a \$25 Million Dollar program to make matching grants from money appropriated in the Housing Bond of 2002. This bill shall repeal itself if the Housing Bond of 2002 does not win support of the voters in November 2002. These local trust funds shall use the funds for Rental Housing.

- These housing projects must be very- low or 60% of the median area income
- The Local Housing Trust funds can be a city or county agency or a non-profit 501C3 organization.
- The Local Trust must provide a dollar for dollar match for every state dollar received. The match may be other local government money and or private dollars. The government match must be dollars not already designated for housing.
- The minimum grant to a Local Housing Trust Fund shall be one million dollars (\$1,000,000), and no applicant may receive more than Two million dollars (\$2,000,000)
- \$15 million will be reserved for existing Local Housing Trust Funds and \$10 Million for new Trust Funds.
- Any Funds not allocated to a Local Housing Trust Fund within 30 months of availability shall revert to the Multifamily Housing Program.

Summary

- Local Housing Trusts have an excellent record of accomplishment of serving as efficient vehicles for disbursing resources more quickly at the local level than state programs.
- Currently, there are ten city and four county local housing trusts throughout California producing thousands of units of affordable housing through the utilization of millions of dollars of locally generated funds resulting in the leverage of millions more for the development of affordable housing.
- Housing Trusts are local sources of revenue for affordable housing and as such very often are a direct result of local constituencies coming together around affordable housing. These relationships are often long term and include a much broader set of community players that go beyond the traditional supporters of affordable housing.

Contact: Bob Reid
916-319-2023
bob.reid@asm.ca.gov

JOB-CENTER HOUSING

Creating Housing Opportunities for California's Workforce
www.JobCenterHousing.com

January 29, 2002

Note to: California State Assembly Members

RE: AB 1170 (Firebaugh) – SUPPORT

The members of the Job-Center Housing Coalition – comprised of business, labor, housing, ethnic and consumer groups – writes today to urge your support of AB 1170 (Firebaugh) – an innovative new housing initiative designed to increase homeownership through local regulatory reform.

California has the second-lowest homeownership rate in the nation as working families struggle to find homes they can afford. What's more, the portion of first-time homebuyers in the market – typically households at or near median incomes – has been on a steady decline and was, in 2001, at its lowest level since 1990.

AB 1170 creates the BEGIN (Building Equity and Growth in Neighborhoods) program, which attacks the two principal problems entry-level homebuyers face in California's housing markets: high housing costs and inadequate cash for down payments.

Specifically, BEGIN provides down-payment assistance for homebuyers in communities that reduce regulatory barriers to housing production by waiving fees, increasing housing densities and expediting the local permitting process.

BEGIN is the right public policy – lower housing costs and down-payment assistance – for delivering homeownership opportunities for California's working families.

AB 1170 is a win-win solution: Create more homeowners today and more homes for tomorrow.

The members of the Job-Center Housing Coalition urge your aye vote.

Support for AB 1170 (Firebaugh)

Downpayment Assistance

To: **Members of the Assembly**
 From: Marc Brown and Christine Minnehan
 Date: 22 January 2002
 Re: Support for AB 1170 (Firebaugh)

We urge your "Aye" vote on AB 1170 (Firebaugh) when it is brought up for a vote this week.

AB 1170 would create the BEGIN (Building Equity and Growth in Neighborhoods) program at the Department of Housing and Community Development. The program would award grants to localities to fund local downpayment assistance programs for low and moderate income buyers of homes in new projects.

The grants would be awarded on a priority basis to cities or counties that:

- Zone land for the project at 30 percent higher density than the locality's average density.
- Approve clustered housing with shared walls or zero lot lines.
- Approve tandem parking.
- Reduce street width requirements.
- Streamline the permit process.
- Reduce impact fees.
- Are applying for an infill project.
- Adopt a housing element the Department finds in substantial compliance with state law.

AB 1170 targets homebuyer assistance to those cities willing to take local steps to address the housing crisis. California's homeownership rate is the third lowest in the nation -- only Hawaii and New York have a lower percentage of homeowners than California.

AB 1170 does not impact the state budget. It would be implemented only if voters approve the Housing Bond Act of 2002 (SB 1227, Burton), which, if passed by the Legislature, will be placed on the ballot in November.

We urge your AYE vote.

What AB 1170 Does:

AB 1170 establishes a grant program for homebuyer assistance for localities that remove barriers to housing, funded by \$75 million from the Housing Bond Act (SB 1227, Burton).

For more information, contact:
 Marc Brown, CRLA Foundation
 916.446.9241 • mbrown@housingadvocates.org

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BILL NUMBER: SB 1227 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY FEBRUARY 15, 2002
AMENDED IN ASSEMBLY FEBRUARY 5, 2002
AMENDED IN ASSEMBLY JANUARY 18, 2002
AMENDED IN ASSEMBLY JANUARY 7, 2002
AMENDED IN ASSEMBLY SEPTEMBER 13, 2001
AMENDED IN SENATE JUNE 5, 2001
AMENDED IN SENATE MAY 21, 2001

INTRODUCED BY Senator Burton
 (Principal coauthors: Assembly Members Hertzberg and Wesson)
 (Coauthors: Senators Alarcon, Chesbro, Dunn, Kuehl, Polanco,
Romero, Scott, and Sher)
 (Assembly Members Aroner, Cedillo, Chan, Cohn, Diaz,
Frommer, Goldberg, Keeley, Kehoe, Koretz, Lowenthal, Nation, Pavley,
Salinas, Shelley, Steinberg, and Wayne)

APRIL 19, 2001

An act to amend Sections 51455, 51479, and 53130 of, to add Sections 51451.5, 51453, and 51505 to, and to add Part 11 (commencing with Section 53500) to Division 31 of, the Health and Safety Code, relating to financing housing programs by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds.

LEGISLATIVE COUNSEL'S DIGEST

SB 1227, as amended, Burton. Housing Bond Act of 2002.

Under existing law, there are programs providing assistance for , among other things, multifamily housing, emergency housing, farmworker housing, homeownership for low- and very low income households, and downpayment assistance for first-time homebuyers. Existing law also establishes specified code enforcement programs.

This bill would enact the Housing Bond Act of 2002, which, if adopted, would authorize, for purposes of financing various existing housing and code enforcement programs , and additional specified programs subject to the enactment of enabling legislation , the issuance of bonds in the amount of \$2,100,000,000 pursuant to the State General Obligation Bond Law.

This bill would provide for submission of the bond act to the voters at the November 5, 2002, statewide general election in accordance with specified law.

This bill would also delete obsolete provisions.

Vote: 2/3. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares all of the

WORKING COPY

following:

(1) Approximately 220,000 housing units need to be produced in California each year to meet demand. Yet only four times in the last 20 years has the production target been reached.

(2) While the national homeownership rate has reached a record high, the rate in California is 10 percent below the national average, and ranks 48th in the nation.

(3) There is an extreme shortage of rental housing in California, particularly for lower income renters. Rental housing construction is primarily at the high end of the rental market. The statewide rental vacancy rate is fourth lowest in the nation.

(4) Over one-third of all renter families statewide pay over half their incomes in rent. Over one-half of all low-income renter families pay over half their incomes in rent, while almost three out of four very low income renter families pay over half their incomes in rent. It requires 106 hours per week at a minimum wage job to afford the average two-bedroom unit in California.

(5) One out of every eight housing units statewide is in substandard condition, and one of every eight metropolitan California rentals is overcrowded. Threats to resident safety and displacement and costs of repairs and rehabilitation can be mitigated with more effective local housing code enforcement and compliance activities. Moreover, increased availability of public funds to help finance rehabilitation and repairs will result in the preservation of existing housing rather than replacement of that housing at higher construction costs.

(6) The Department of Housing and Community Development estimates that there are over 360,000 homeless individuals in California, and other data discloses that one-third of the homeless population, and the segment increasing most rapidly, are families with children.

(7) More than 147,000 rental units built in this state prior to 1980 under the Section 236, Section 221(d)(3), and Section 8 programs of the United States Department of Housing and Urban Development and the Section 515 program of the federal Farmers Home Administration are at risk of conversion to higher rent housing or condominium units. Loss of this housing stock will displace thousands of elderly, disabled, and struggling families with no place to go.

(8) The basic housing goal for state government pursuant to subdivision (b) of Section 50003 of the Health and Safety Code is to provide a decent home and suitable living environment for every California family.

(b) The Legislature further finds and declares all of the following:

(1) There is an urgent need to provide affordable housing to meet the increasingly unfulfilled housing needs of this state.

(2) There is an immediate need to reaffirm the commitment to the official housing policy of the state and provide sufficient financial resources to meet this commitment over a reasonable period of time.

(3) There is a critical need to provide financial assistance to do all of the following:

(A) Purchase, construct, and rehabilitate emergency shelters and transitional housing for homeless families and individuals.

(B) Construct rental housing for families and individuals, including the special housing needs of seniors, the disabled, and farmworkers.

(C) Preserve and rehabilitate affordable homes and rental housing.

(D) Provide home purchase assistance for first-time homebuyers.

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SEC. 2. Section 51451.5 is added to the Health and Safety Code, to read:

51451.5. The Homebuyer Down Payment Assistance Program of 2002 is hereby established, to provide assistance in the amount of the applicable school facility fee on affordable housing developments. The Homebuyer Down Payment Assistance Program of 2002 shall provide the following assistance:

(a) Downpayment assistance to the purchaser of any newly constructed residential structure in a development project in an economically distressed area in the amount of school facility fees paid pursuant to Section 65995.5 or 65995.7 of the Government Code, less the amount that would be required pursuant to subdivision (b) of Section 65995 of the Government Code, notwithstanding Sections 65995.5 and 65995.7 of the Government Code, if all of the following conditions are met:

(1) The development project is located in a county with an unemployment rate that equals or exceeds 125 percent of the state unemployment rate.

(2) Five hundred or more residential structures have been constructed in the county during 2001.

(3) A building permit for an eligible residential structure in the development project is issued by the local agency on or after January 1, 2002.

(4) The eligible residential structure is to be owner occupied for at least five years. If a structure is owner occupied for fewer than five years, the recipient of the assistance shall repay the School Facilities Fee Assistance Fund the amount of the assistance, on a prorated basis.

(5) The sales price of the eligible residential structure does not exceed 175 percent of the median sales price of residential structures in the county during the average of the previous five years.

(b) Downpayment assistance to the purchaser of any newly constructed residential structure in a development project in the aggregate amount of school facility fees paid pursuant to one, all, or any combination of subdivision (b) of Section 65995, Section 65995.5, or Section 65995.7 of the Government Code for the eligible residential structure if all of the following conditions are met:

(1) The assistance is provided to a qualified first-time homebuyer pursuant to Section 50068.5.

(2) The qualified first-time homebuyer does not exceed the lower or moderate-income requirements in Section 50093.

(3) A building permit for an eligible residential structure in the development project is issued by the local agency on or after January 1, 2002.

(4) The eligible residential structure is to be owner occupied for at least five years. If a structure is owner occupied for fewer than five years, the recipient of the assistance shall repay the School Facilities Fee Assistance Fund the amount of the assistance, on a prorated basis.

SEC. 3. Section 51453 is added to the Health and Safety Code, to read:

51453. Notwithstanding Section 51452, the sum of fifty million dollars (\$50,000,000) transferred to the School Facilities Fee Assistance Fund pursuant to paragraph (12) of subdivision (b) of Section 53533 is continuously appropriated to the department for allocation for the agency for administrative costs and to make payments to purchasers of newly constructed residential structures pursuant to

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Section 51451.5 from that fund for a period of four years, as follows:

(a) Twenty-five million dollars (\$25,000,000) shall be available for the program set forth in subdivision (a) of Section 51451.5, except that if less than 50 percent of these funds are expended within 24 months, all or part of those funds shall be available for the program set forth in subdivision (b) of Section 51451.5 at the discretion of the executive director of the agency.

(b) Twenty-five million dollars (\$25,000,000) shall be available for the program set forth in subdivision (b) of Section 51451.5, except that if less than 50 percent of these funds are expended within 24 months, all or part of those funds shall be available for the program set forth in subdivision (a) of Section 51451.5 at the discretion of the executive director of the agency.

(c) If after 48 months, more than 20 percent of the funds identified in subdivision (a) and (b) are not expended, the executive director of the agency may make all or part of those funds available to the California Homebuyer's Downpayment Assistance Program, as authorized under Chapter 11 (commencing with Section 51500).

(d) All repayments of disbursed funds pursuant to this chapter or any interest earned from the investment in the Surplus Money Investment Fund or any other moneys accruing to the fund from whatever source shall be returned to the fund and is available for allocation by the agency to the program established pursuant to Section 51451.5.

SEC. 4. Section 51455 of the Health and Safety Code is amended to read:

51455. (a) Except as provided in subdivision (b), Sections 51450, 51451, 51452, and 51454 shall not be operative on and after January 1, 2002.

(b) Except as provided in Section 51453, the School Facilities Fee Assistance Fund established by Section 51452 and the programmatic authority necessary to operate the programs authorized by Section 51451 shall continue on and after January 1, 2002, only with respect to any repayment obligation pertaining to that assistance or to any regulatory agreement imposed as a condition of that assistance.

SEC. 5. Section 51479 of the Health and Safety Code is amended to read:

51479. In administering a program for the preservation of multifamily housing hereunder, the agency may segregate funds available for these purposes into separate accounts as necessary to reflect the different types of assistance authorized by this chapter.

SEC. 6. Section 51505 is added to the Health and Safety Code, to read:

51505. (a) In addition to the downpayment assistance program authorized by Section 51504, and notwithstanding any provision of Section 51504 to the contrary, the agency shall provide downpayment assistance from the funds set aside pursuant to subparagraph (D) of paragraph (7) of subdivision (a) of Section 53533 for the purposes of the portion of the Extra Credit Teacher Home Purchase Program provided for in Section 8869.84 of the Government Code and as set forth by the California Debt Limit Allocation Committee, as operated by the agency. Notwithstanding the foregoing, the agency may, but is not required to, provide downpayment assistance pursuant to this section to any local issuer participating in the Extra Credit Teacher Home Purchase Program.

(b) Downpayment assistance for purposes of this section shall be

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subject to, and shall meet the requirements of, the Extra Credit Teacher Home Purchase Program as set forth by the California Debt Limit Allocation Committee and the agency, and shall include, but not be limited to, deferred payment, low interest rate loans where payment of principal and interest is deferred until the time that the home is sold or refinanced. This downpayment assistance shall meet the requirements of subdivisions (d) and (e) of Section 51504.

(c) Loans made pursuant to this section may include a provision whereby interest, principal, or both, of the loan is forgiven upon conditions to be established by the agency, or any other provision designed to carry out the purposes of the Extra Credit Teacher Home Purchase Program.

(d) Downpayment assistance pursuant to this section shall not exceed the greater of seven thousand five hundred dollars (\$7,500) or 3 percent of the home sales price.

SEC. 7. Section 53130 of the Health and Safety Code is amended to read:

53130. (a) Moneys deposited in the Roberti Affordable Housing Fund from the sale of bonds pursuant to Part 9 (commencing with Section 53150) shall be allocated for expenditure in accordance with the following schedule:

(1) Two hundred million dollars (\$200,000,000) shall be transferred to the Rental Housing Construction Fund to be expended for the programs authorized by Chapter 9 (commencing with Section 50735) of Part 2, except Sections 50738.5 and 50745.1.

(2) Twenty-five million dollars (\$25,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the purpose of making deferred-payment loans to acquire and rehabilitate residential hotels, as authorized by Section 50670.

(3) Twenty-five million dollars (\$25,000,000) shall be transferred to the Emergency Housing and Assistance Fund to be expended for the programs authorized by Chapter 11.5 (commencing with Section 50800) of Part 2.

(4) Fifteen million dollars (\$15,000,000) shall be transferred to the Family Housing Demonstration Account to be expended for the programs authorized by Chapter 15 (commencing with Section 50880) of Part 2 of Division 31 of the Health and Safety Code.

(5) Ten million dollars (\$10,000,000) shall be transferred to the department for expenditure for the development of migrant farm labor centers authorized by Chapter 8.5 (commencing with Section 50710) of Part 2 of Division 31 of the Health and Safety Code.

(6) Twenty-five million dollars (\$25,000,000) shall be transferred to the Home Purchase Assistance Fund to be expended for programs authorized by Chapter 6.8 (commencing with Section 51341) of Part 2 of Division 31 of the Health and Safety Code.

(b) Moneys deposited in the Roberti Affordable Housing Fund from the sale of bonds pursuant to Part 10 (commencing with Section 53190) shall be allocated for expenditure in accordance with the following schedule:

(1) One hundred million dollars (\$100,000,000) shall be transferred to the Rental Housing Construction Fund to be expended for the programs authorized by Chapter 9 (commencing with Section 50735) of Part 2, except Sections 50738.5 and 50745.1.

(2) Fifteen million dollars (\$15,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the purpose of making deferred-payment loans to acquire and rehabilitate residential hotels, as authorized by Section 50670.

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(3) Ten million dollars (\$10,000,000) shall be transferred to the Emergency Housing and Assistance Fund to be expended for the programs authorized by Chapter 11.5 (commencing with Section 50800) of Part 2.

(4) Twenty-five million dollars (\$25,000,000) shall be transferred to the Home Purchase Assistance Fund to be expended for programs authorized by Chapter 6.8 (commencing with Section 51341) of Part 2.

(c) No portion of any of the moneys allocated pursuant to this section may be expended for project operating costs, except that this section does not preclude expenditures for operating costs from reserves required to be maintained by or on behalf of the project sponsor.

SEC. 8. Part 11 (commencing with Section 53500) is added to Division 31 of the Health and Safety Code, to read:

PART 11. HOUSING BOND ACT OF 2002
CHAPTER 1. GENERAL PROVISIONS

53500. This part shall be known and may be cited as the Housing Bond Act of 2002.

53501. As used in this part, the following terms have the following meanings:

(a) "Committee" means the Housing Finance Committee created pursuant to Section 53524.

(b) "Fund" means the Home Building and Rehabilitation Fund created pursuant to Section 53520.

CHAPTER 2. HOME BUILDING AND REHABILITATION FUND

53520. The proceeds of bonds issued and sold pursuant to this part shall be deposited in the Home Building and Rehabilitation Fund, which is hereby created. Money in the fund shall be allocated and utilized in accordance with Chapter 4 (commencing with Section 53533).

CHAPTER 3. FISCAL PROVISIONS

53521. Bonds in the total amount of two billion one hundred million dollars (\$2,100,000,000) exclusive of refunding bonds, or so much thereof as is determined necessary and feasible by the committee in order to effectuate this part or to conduct an effective sale, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to be used to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds shall, when sold, be and constitute a valid legally and binding obligation of the state, and the full faith and credit of the state is hereby pledged for the punctual payment of both principal of, and interest on, the bonds as the principal and interest become due and payable.

53522. Any bonds issued and sold pursuant to this part may be refunded by the issuance of refunding bonds in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code. Approval by the electors of the state for the issuance of bonds described in this chapter shall include the approval of the issuance of any bonds issued to refund any bonds originally issued or any previously issued refunding bonds.

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53523. (a) The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code) and all of the other provisions of that law apply to the bonds and to this part and are hereby incorporated in this part as though set forth in full in this part.

(b) Pursuant to the State General Obligation Bond Law, the cost of bond issuance shall be paid out of the bond proceeds. These costs shall be shared proportionally by each program funded through this chapter.

53524. (a) Solely for the purpose of authorizing the issuance and sale, pursuant to the State General Obligation Bond Law, of the bonds authorized by this part, the Housing Finance Committee is hereby created. For purposes of this part, the Housing Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, the Treasurer, the Director of Finance, the Director of Housing and Community Development, and the Executive Director of the California Housing Finance Agency, or their designated representatives. The Treasurer shall serve as the chairperson of the committee. A majority of the committee may act for the committee.

(b) For purposes of the State General Obligation Bond Law, the department is designated the "board" for programs administered by the department, and the agency is the "board" for programs administered by the agency.

53525. Upon request of the board stating that funds are needed for the purposes of this chapter, the committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this part in order to carry out the actions specified in Chapter 4 (commencing with Section 53533) and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds authorized to be issued be sold at any one time.

53526. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year, and it is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

53527. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated from the General Fund, for the purposes of this part, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.

(b) The sum necessary to carry out the provisions of Section 53528, appropriated without regard to fiscal years.

53528. For the purposes of carrying out this part, the Director of Finance may authorize the withdrawal from the General Fund of an amount or amounts not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this part. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund from money received from the sale of bonds for the purpose

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of carrying out this part.

53529. Notwithstanding any other provision of this part, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this part that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes under designated conditions, the Treasurer may maintain separate accounts for the bond proceeds invested and the investment earnings on those proceeds, and may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law, or take any other action with respect to the investment and use of those bond proceeds, as may be required or desirable under federal law in order to maintain the tax exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

53530. The board may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account, in accordance with Section 16312 of the Government Code, for the purposes of carrying out this part. The amount of the request shall not exceed the amount of unsold bonds that the committee has by resolution authorized to be sold for the purpose of carrying out this part. The board shall execute any documents that are required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this part.

53531. All money deposited in the fund that is derived from premiums and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

53532. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this part are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that article.

CHAPTER 4. ALLOCATION OF HOUSING BOND REVENUES

53533. (a) Money deposited in the fund from the sale of bonds pursuant to this part shall be allocated for expenditure in accordance with the following schedule:

(1) Nine hundred ten million dollars (\$910,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, except for the following:

(A) Fifty million dollars (\$50,000,000) shall be transferred to the Preservation Opportunity Fund to be used for the preservation of at-risk housing pursuant to enabling legislation.

(B) Twenty million dollars (\$20,000,000) shall be used for nonresidential space for supportive services, including, but not limited to, job training, health services, and child care within, or immediately proximate to, projects to be funded under the Multifamily Housing Program. This funding shall be in addition to any applicable per-unit or project loan limits and may be in the form of a grant. Service providers shall ensure that services are available to project residents on a priority basis over the general public.

(C) Twenty-five million dollars (\$25,000,000) shall be used for matching grants to local housing trust funds pursuant to enabling

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legislation.

(D) Any funds not encumbered for the purposes set forth in this paragraph within 30 months of availability shall revert to the Housing Rehabilitation Loan Fund created by Section 50661 for general use in the Multifamily Housing Program.

(E) If the enabling legislation for any program specified in this paragraph fails to become law in the 2001-02 Regular Session of the Legislature, the specified allocation for that program shall be void and the funds shall revert for general use in the Multifamily Housing Program.

(2) One hundred ninety-five million dollars (\$195,000,000) shall be transferred to the Emergency Housing and Assistance Fund to be expended for the Emergency Housing and Assistance Program authorized by Chapter 11.5 (commencing with Section 50800) of Part 2.

(3) One hundred ninety-five million dollars (\$195,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program authorized by Chapter 6.7 (commencing with Section 50675) of Part 2, to be used for supportive housing projects for individuals and households moving from emergency shelters or transitional housing or those at risk of homelessness. The criteria for selecting projects should give priority to supportive housing for people with disabilities who would otherwise be at high risk of homelessness where the applications represent collaboration with programs that meet the needs of the person's disabilities. The department may provide for higher per-unit loan limits as reasonably necessary to provide and maintain rents affordable to those individuals and households. For purposes of this paragraph, "supportive housing" means housing

with no limit on length of stay, that is occupied by the target population, as defined in subdivision (d) of Section 53260, and that is linked to onsite or offsite services that assist the tenant to retain the housing, improve his or her health status, maximize his or her ability to live, and, when possible, work in the community.

(4) Two hundred million dollars (\$200,000,000) shall be transferred to the Joe Serna Jr. Farmworker Housing Grant Fund to be expended for farmworker housing programs authorized by Chapter 3.2 (commencing with Section 50517.5) of Part 2, except for the following:

(A) Twenty-five million dollars (\$25,000,000) shall be used for projects that serve migrant farmworkers as defined by the department's Farmworker Housing Grant Program.

(B) Twenty million dollars (\$20,000,000) shall be used for developments that also provide health services to the residents.

(C) Any funds not encumbered for the purposes set forth in this paragraph within 30 months of availability shall revert for general use in the Joe Serna Jr. Farmworker Housing Grant Program.

(5) Two hundred five million dollars (\$205,000,000) shall be transferred to the Self-Help Housing Fund. Notwithstanding Section 50697.1, these funds are hereby continuously appropriated to the department to be expended for the purposes of the CalHome Program authorized by Chapter 6 (commencing with Section 50650) of Part 2, except for the following:

(A) Seventy-five million dollars (\$75,000,000) shall be transferred to the Building Equity and Growth in Neighborhoods Fund to be used for the Building Equity and Growth in Neighborhoods (BEGIN) Program pursuant to enabling legislation.

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(B) Five million dollars (\$5,000,000) shall be used to provide grants to cities, counties, cities and counties, and nonprofit organizations to provide grants for lower income tenants with disabilities for the purpose of making exterior modifications to rental housing in order to make that housing accessible to persons with disabilities.

(C) For the purposes of this chapter, "exterior modifications" includes modifications that are made to entryways or to common areas of the structure or property.

(D) Ten million dollars (\$10,000,000) shall be transferred to the Self-Help Housing Fund to be expended for construction management under the California Self-Help Housing Program pursuant to subdivision (b) of Section 50696.

(E) Any funds not encumbered for the purposes set forth in this paragraph within 30 months of availability shall revert for general use in the CalHome Program.

(F) If the enabling legislation for any program specified in this paragraph fails to become law in the 2001-02 Regular Session of the Legislature, the specified allocation for that program shall be void and the funds shall revert for general use in the CalHome Program.

(6) Five million dollars (\$5,000,000) shall be transferred to the Housing Rehabilitation Loan Fund to be expended for the code enforcement and compliance programs authorized by Chapter 8 (commencing with Section 17998) of Part 1.5 of Division 13, or to any other fund through which those code enforcement and compliance programs are funded. If the moneys allocated pursuant to this paragraph are not expended within three years after being transferred, the department may, in its discretion, transfer the moneys to the Housing Rehabilitation Loan Fund to be expended for the Multifamily Housing Program.

(7) Two hundred ninety million dollars (\$290,000,000) shall be transferred to the Self-Help Housing Fund. Notwithstanding Section 50697.1, these funds are hereby continuously appropriated to the agency to be expended for the purposes of the California Homebuyer Downpayment Assistance Program authorized by Chapter 11 (commencing with Section 51500) of Part 3, except for the following:

(A) Fifty million dollars (\$50,000,000) shall be transferred to the School Facilities Fee Assistance Fund to be used for the Homebuyer Down Payment Assistance Program of 2002 established by Section 51451.5.

(B) Eighty-five million dollars (\$85,000,000) shall be transferred to the California Housing Loan Insurance Fund to be used for purposes of Part 4 (commencing with Section 51600).

(C) Twelve million five hundred thousand dollars (\$12,500,000) shall be reserved for downpayment assistance to low-income first-time homebuyers who, as documented to the agency by a nonprofit organization certified and funded to provide homeownership counseling by a federally funded national nonprofit corporation, has purchased a residence in a community revitalization area targeted by the nonprofit organization and who has received homeownership counseling from the nonprofit organization.

(D) Twenty-five million dollars (\$25,000,000) shall be used for downpayment assistance pursuant to Section 51505.

(E) Funds not encumbered for the purposes set forth in this paragraph within 30 months shall revert for general use in the California Homebuyer's Downpayment Assistance Program.

(8) One hundred million dollars (\$100,000,000) shall be transferred

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to the Jobs Housing Improvement Account to be expended as capital grants to local governments for increasing housing pursuant to enabling legislation. If the enabling legislation fails to become law in the 2001-02 Regular Session of the Legislature, the specified allocation for this program shall be void and the funds shall revert for general use in the Multifamily Housing Program as specified in paragraph (1) of subdivision (a).

(b) No portion of the money allocated pursuant to this section may be expended for project operating costs, except that this section does not preclude expenditures for operating costs from reserves required to be maintained by or on behalf of the project sponsor. Costs for local code enforcement programs funded pursuant to paragraph (6) of subdivision (a) shall not be deemed "project operating costs," because these activities directly result in physical modifications or improvements to existing structures or reduce the ultimate costs of repair or rehabilitation that might be financed by public or private entities.

(c) The Legislature may, from time to time, amend the provisions of law related to programs to which funds are, or have been, allocated pursuant to this section for the purpose of improving the efficiency and effectiveness of the program, or for the purpose of furthering the goals of the program.

(d) All funds allocated pursuant to this section that are cumulatively administered by the department shall be released in no less than three annual funding cycles, with no more than one-third of the funding to be included in any annual funding cycle.

SEC. 9. Section 4 of this act shall become operative upon the adoption by the voters of the Housing Bond Act of 2002, as set forth in Section 4 of this act.

SEC. 10. (a) Section 4 of this act shall be submitted to the voters at the November 5, 2002, statewide general election in accordance with provisions of the Government Code and the Elections Code governing the submission of statewide measures to the voters.

(b) Notwithstanding any other provision of law, all ballots of the election shall have printed thereon and in a square thereof, exclusively, the words: "Housing Bond Act of 2002" and in the same square under those words, the following in 8-point type: "This act provides for a bond issue of two billion one hundred million dollars (\$2,100,000,000) to provide funds for housing programs.

(At this point, the Attorney General shall include the financial impact summary prepared pursuant to Section 9087 of the Elections Code and Section 88003 of the Government Code.)" Opposite the square, there shall be left spaces in which the voters may place a cross in the manner required by law to indicate whether they vote for or against the act.

(c) Where the voting in the election is done by means of voting machines used pursuant to law in the manner that carries out the intent of this section, the use of the voting machines and the expression of the voters' choice by means thereof are in compliance with this section.

SEC. 11. It is the intent of the Legislature that, to the extent funds authorized by this act are available to local governmental entities, federally recognized California Indian tribes shall also be eligible to apply for those funds, be considered on the merits of the application, and receive and expend those funds.

"Build It - We are Already Here" A Business and Development Position Paper on Housing

The Central City Association

The Building Industry Association

Valley industry and commerce association
(VICA)

October, 2001

Executive summary

The purpose of this paper is to outline the business and development community's strategies to solve the affordable housing crisis at all levels: affordable housing, workforce housing and homeownership.

Our goal is to enhance a development environment that will both accomplish the goal of building the 60,000 housing units that the Southern California Association of Governments (SCAG) have identified as the need for Los Angeles in the next five years, encourage and save the dwindling middle class in Los Angeles, and preserve our job base as we head into recession.

Our guiding principles are:

Address the affordable housing crisis as a vital component of an overall development crisis in the City of Los Angeles. The City must overhaul its development processes and exactions to eliminate the financially burdensome and politically risky process currently in place.

An affordable housing solution must begin with the Mayoral appointment of a Deputy Mayor of Housing and extend to our entire state and federal legislative delegation. Los Angeles must lobby aggressively to maximize its share of state and federal housing funds, and work to package the applications for tax credits and other funding to ensure their success.

While a Housing Trust Fund is needed, inclusionary zoning, in-lieu fees, and a Commercial Linkage Fee result in taxes on development, rather than promotion of it. If development does not occur, a Housing Trust Fund based on these sources dries up. In this paper, we propose funding sources that provide a long-term funding stream, and allow development to occur.

"Workforce Housing" - which we define as 80% of median income to 120% of median income and above - constitutes over half of the housing recommended by SCAG, and will address the needs of the very workers that constitute the middle class. Of those 30,000 units needed to serve workforce housing, two thirds of those units, or over 20,000, are needed to serve 120% of median income or above!

Teachers, police officers, firefighters, and nurses are essential to our community, but are being pushed out of Los Angeles by high home prices. Los Angeles cannot allow our middle class to disappear if we want to be the Capital City of the 21st Century.

The City of Los Angeles must understand the value of real development incentives. A density bonus that developers cannot ultimately use due to neighborhood pressure is useless. But the incentives of "real time" subsidies, fee deferments, and a "by right" development process are both useful and encourage development on the scale that will address our housing crisis.

- The City of Los Angeles must decide what kind of development it wants, and then provide real incentives to encourage it. If mixed-use, mixed income projects are the ideal, then encourage that both financially and with political backing. This is especially crucial with the advent of neighborhood councils.

Our goal is to improve the development system in Los Angeles to a place where 60,000 units are achievable, rather than impossible. We look forward to working with you.

I. Los Angeles will never be the Capitol City of the 21st Century if our housing crisis persists

Our coalition members are affordable housing and market rate developers, commercial developers, banks, and employers, who are all touched by the affordable housing crisis. In fact, many of our members have already contributed millions of dollars toward alleviating our tremendous affordable housing crisis.

The experience of our membership, however, demands a solution to the affordable housing crisis that is incentive-based, and will ensure that our economy does not experience the same recession that we experienced in the 1990's - from which parts of the City are just barely emerging.

In March 2000, *In Short Supply*, a report of the Housing Crisis Task Force, outlined the dramatic statistics of housing need in the City of Los Angeles. While the business and development community agrees that the housing shortage has reached crisis proportions in both affordability and quality, we are distressed that many of the solutions are merely additional exactions on the business and development community.

In February 2001, CCA led a group of businesspeople, developers, affordable housing advocates, and government officials to join together for the **Building Together: Los Angeles Housing Business Summit**, to discuss ways in which we all could be part of the solution. This crisis requires both a development and a financial solution implemented through an incentive-based strategy.

The business community is committed to help solve the housing crisis at all levels: affordable housing, workforce housing, and homeownership. This paper outlines our collective recognition of the housing crisis, and the role that we all play in creating the social and development imperative to ameliorate it. We look _._onward to working with the City elected officials and departments in this paper's implementation.

The magnitude of the housing crisis

The housing crisis affects all Angelenos at all levels. Therefore, we need to create solutions that are comprehensive, and supported at all levels, from neighborhoods on up to our federal government. Here are a few facts and estimates of the crisis:

According to SCAG's Regional Housing Needs Assessment (RHNA) data for years 1998 to 2005, Los Angeles must plan to build the following number of units to address our housing shortage.' (Note: For 2001, 100% of Median Income for a family of four is \$54,500.)³

			"Workforce Housing"	
Income Level of Median Income	Very Low < 50%	Low 50% to 80%	Moderate 80% to 120%	Above-Moderate 120% <
Number of Units b 2005	17,990	10,416	11,314	20,560

Between July 1998 and June 1999, there was a net production of only 1,840 units in Los Angeles, while the city grew by 65,000 people.

Southern California presently needs 131,000 new housing units to be built each year to meet demand. In 1998, only 43,000 new housing units were built in Southern California, or 33% of the need.

Almost three out of every five households in the City rents. The City of Los Angeles has one of the lowest homeownership rates in the country - 39% -- the national average is 67%.⁵

In 2001, a moderately priced two bedroom apartment was priced at \$1,026 in Los Angeles County, and would require \$19.73 in hourly wages, according to the National Low Income Housing Coalition.

Almost three quarters of the families with annual incomes below \$26,000 (or 120,000 Los Angeles families) spend more than half their income on rent and utilities. The federal and state affordability standard is that not more than 30% of income should be spent for rent and utilities.'

There are also nearly 150,000 substandard apartments in LA, and almost 100,000 garage units.

Homelessness continues to grow and be concentrated in Downtown Los Angeles through lack of a comprehensive solution.

These statistics demonstrate that the housing crisis must be seen as everyone's concern and, as such, a top priority for decision makers at all levels of government.

¹ Southern California Association of Governments (SCAG), Regional Housing Needs Assessment, June 2000

³ HUD Notice PDR-2001-03. Effective April 6, 2001, Maximum Income Levels, California Tax Credit Allocation Committee. ° Southern California Association of Governments

⁵ Housing Price Data, California Association of Realtors

III. The Disappearing Middle Class --- the need for "workforce housing"

The Center for Housing Policy recently completed two studies entitled *Housing America's Working Families* and *Paycheck to Paycheck: Working Families and the Cost of Housing in America*. These studies point to the critical housing need of families earning from minimum wage to those earning 120% of median income.

Housing America's Working Families concluded that, nationally, "more than 220,000 teachers, police and public safety officers spend more than half of their income on housing [defined as having critical housing needs], and this problem is getting worse... the incidence of teachers and public safety officers spending more than half of their income on housing doubled between 1993 and 1996, from 6.8% to 14.6%."^a

For 2001, HUD's Maximum Income Levels for Los Angeles County are:

Size of Household	2 Persons	3 Persons	4 Persons
80% of Median Income	\$34,880	\$39,280	\$43,600
<u>120% of Median Income</u>	<u>\$52,320</u>	<u>\$58,920</u>	<u>\$65,400</u>

The starting salary for a Los Angeles Firefighter is \$39,171, which increases upon graduation from Academy training. Workforce housing is important for the Fire Department, as Firefighters are required to live in Los Angeles. The starting salary for an LAPD officer is \$44,537. An LAPD Sergeant earns between \$70,386 and \$82,851. The starting salary for a teacher at LAUSD is \$39,974. A teacher with six years of experience and 98 units of graduate school earns \$55,121; that same teacher could earn \$64,739 after 14 years. The national average income for a registered nurse is \$41,000.

Though all of these jobs pay between 80% and 120% of median income, housing is difficult to find.

While programs exist that allow teachers and safety officers to purchase homes at reduced rates, those homes must meet sale price guidelines that make suitable available homes a rarity.

Paycheck to Paycheck found that in a study of working families with critical housing needs (paying over 50% of income for housing), between 1997 and 1999, the number of families between 80% and 120% of median income with critical housing needs rose 77%!^o

In 1999, the median sales price home for the Los Angeles - Long Beach Metro Area was \$190,000, and the income needed to purchase the home was \$62,443."

Though some perceive that the lower income groups should be the sole focus of the Trust Fund, the needs of families in the 80% to 120% median income level and above can be met with fewer subsidies and program requirements than those available for lower incomes. Any affordable housing solution should not leave these income groups behind. The City of Los Angeles must devote policy to ensuring that these teachers, nurses, and public safety officers, who constitute the backbone of our society, can afford to live and thrive in Los Angeles.

Housing America's Working Families, The Center for Housing Policy, June 2000, p.18

HUD Notice PDR-2001-03. Effective April 6, 2001, Maximum Income Levels, California Tax Credit Allocation Committee. ^o *Paycheck to Paycheck: Working Families and the Cost of Housing in America*, June 2001, p.9

"HUD-00-00

IV. The solution requires financial incentives

Funding sources for the Housing Crisis should not violate the premise that developers must be incentivized, rather than having our current development process deter developers who help solve this crisis by bringing private capital for residential development into the City. While we welcome and support streamlining and facilitating the development permitting process, enactment of these improvements should not be offered in-lieu of critical and necessary financial incentives.

- The City of Los Angeles must increase its own General Fund contributions to the AHMF similar to other major cities. In fact, between 1986 and 1996, New York City spent \$4.2 billion in mostly city funds to construct or rehabilitate over 140,000 housing units, more than all other major cities in the United States combined.¹²

We support "Incentive-Based Mixed-Income Housing" citywide, which would incentivize developers to allocate a percentage of residentially developed units to affordable housing either in each project or within some acceptable radius of each project, by providing "real-time" subsidies to build those affordable units. A task force should be created to develop specific financial subsidies, density and parking bonuses as offsets for the additional costs to develop affordable housing. Advantages are:

- o Affordable Housing is not concentrated entirely in a few areas of Los Angeles, but rather included in all new developments citywide.
 - o Subsidies and offsetting planning incentives will allow "real time" financing for the entire project, allowing bank loans and other private financing to proceed
- o It is in keeping with CCA's Downtown Rebound Program, which provides \$55,000 a unit for 60% of median income and \$35,000 for 150% of median income or below, and requires that at least 20% of the project be allocated for affordable units.

We do not support "Inclusionary Zoning," which mandates developers to provide affordable units with no financial subsidy, as it has significant drawbacks and obstacles for the development community if not offset with incentives, subsidies, and flexibility in application and in-lieu fees.

- o Without subsidies or development incentives to offset the costs of providing affordable housing, "inclusionary zoning" is merely a tax on market rate units.
- o Since 33% of the units referred to in SCAG's RHNA data are needed to address the needs of renters and owners above 120% of median income, the City should discourage disincentives to the building of these units, such as exactions on market rate developers. In fact, the Affordable Housing Trust Fund might be some of the only subsidy funds available for this purpose.
- o "Inclusionary Zoning" does not take into account the additional costs to developers for adaptive reuse, slum housing rehabilitation, or toxic remediation present in most of the future residential and commercial sites available for housing development.

Linkage fees should be considered only as funding of last resort, as they are an impediment to commercial development and job creation without any direct offsetting benefits. The City's Commercial Linkage Fee Nexus Study is due to be completed in March 2002, and we seek to be part of the analysis after the nexus study is completed. However, our initial recommendations are that, if these fees are to be considered at all, linkage fees should not be imposed in CRA areas. If imposed, they should be payable over a number of years with first payment due at Certificate of Occupancy,

¹² Van Ryzin, Gregg G. and Andrew Genn. (1999) Neighborhood Change and the City of New York's Ten-Year Housing Plan." *Housing Policy Debate* 10, no. 4: 799-838, as quoted in *In Short Supply*, Los Angeles Housing Crisis Task Force Report, page 15.

and should be waived for commercial development within "Incentive-Based Mixed Income Housing" projects.

V. The Solution requires development incentives

Though it seems intuitive, the City should embrace the idea that a development solution requires the participation and incentivization of the development community. While we readily welcome streamli The following are some suggestions of how this can be done:

- Our general goals are as follows:
 - o Reduce uncertainty and risk for all housing development
 - o Reduce regulatory costs of housing development
 - o Provide an adequate supply of developable land for housing through additional zoning
 - o Treat housing as vital infrastructure
- Devote resources to and expedite the land use incentives proposed by the City Planning Commission, and approved by City Council. Quantify the dollar value ascribed to these incentives as a City contribution to the affordable housing crisis. Some land use items are:
 - o Eliminating public hearings for affordable housing projects in compliance with specific plans and other zoning restrictions,
 - o Grandfathering in existing land use entitlements for affordable housing reconstruction;
 - o Providing building envelope flexibility, and allowing lot size reduction,
 - o Providing height bonuses as well as density bonuses,
 - o Reducing parking requirements near transit, and
- Expedite Processing for Housing Development
 - o Make Planning, Zoning and Building Regulations Accessible
 - o Simplify Processing with Single Point of Contact (Case Manager)
 - o Give Affordable Housing Projects Priority
 - o "Customer Service" approach in all related permitting agencies
- Create "Housing Opportunity Zones"
 - o Create a Master EIR for the entire area, to eliminate requirements for each project
 - o Subsequent Development is then "by right"
 - o Up-zone land within Opportunity zone area
 - o Many fees should be waived or reduced

V. The Solution requires development incentives, continued

The City of Los Angeles must increase its housing finance, permit processing and inspection staff to facilitate the permitting and development processes, so that widespread development can occur in a timely manner.

Streamline the bureaucratic process and reduce regulatory costs of development. Encourage all remaining regulatory costs to be imposed at Certificate of Occupancy, rather than Building Permit stage.

- Broaden applicable areas for development citywide, not just for "communities that want it"

Ensure that the City's approach to housing development is comprehensive rather than piecemeal, and that if exactions are placed upon the business and development community, they are balanced with development incentives and access to subsidies on a "real time" basis.

Ensure that the public sector and banking sector adjust their lending schedules to meet the timeframes of market rate developers.

Ensure leadership from the city and state to use eminent domain to eradicate slums and increase economies of scale with housing developments.

Expedite processing for affordable housing development and create a "customer service" approach with permitting agencies.

Parking and tax incentives should be provided to commercial developers who add residential units on top of commercial uses, or to business owners who choose to locate in residential projects.

VI. The solution requires a many-pronged attack

While housing everyone in need may be a difficult goal to accomplish, it is imperative that we seek short and long term solutions. Working to solve the housing crisis has many positive results: reduction in commutes to work, increase in business and employment recruiting, increase in property tax payments, and reduction in property inspections and police costs. These positive aspects can repay the investment that the private sector, the federal government, the State of California, and the City of Los Angeles must make. Additionally, the improvement in quality of life for all citizens of Los Angeles is financially immeasurable. Our recommendations are to:

Create a Deputy Mayor for Housing and a corresponding permit expediting team for residential and commercial developments that have an affordable housing component. The Deputy Mayor should coordinate with the General Managers of the Los Angeles Housing Department, Community Redevelopment Agency (CRA), Community Development Department (CDD) and Planning Department.

The Deputy Mayor should be the key point person for housing entitlement reform and simplification. This Deputy Mayor should also be a liaison with the Deputy Mayor of Economic Development to encourage neighborhood business locations near or within these sites.

Focus on the diversity of populations requiring a housing solution: middle class families seeking homes, above-moderate income renters (1 /3 of the need, according to SCAG), low and moderate income renters (2/3 of the need), and the homeless. Each population requires a different strategy, different levels of subsidy, and potentially different land uses and services. Development strategies need to be formulated for each group, by task forces that represent all facets of our City.

The State of California should have a similar sense of urgency about solving Los Angeles' housing shortage. Los Angeles is the largest city in the State and the second largest city in the nation, and therefore, one of the largest taxpaying populations.

The City of Los Angeles needs to exercise its power to have State tax credits, Downtown Rebound, and other funds dedicated to Los Angeles based on our proportion of the statewide need and our growing population for the next 10 years.

Ensure that our increase in population is reflected in the increase of State and Federal funding, such as CDBG. Mayor Hahn, as City Attorney, was extremely effective in encouraging an accurate census count. We need an accurate funding stream to reflect this population increase, especially in terms of the increase in homelessness that Los Angeles is experiencing.

Similar to the LAUSD school facility crisis, in which new and rehabilitated facilities are needed on an immediate and citywide level, the City of Los Angeles needs to focus on seeking sites for new and rehabilitated units, with the help of the State of California.

The Los Angeles Housing Department, the Mayor and the City Council must be committed to a citywide program of purchasing sites for development and slum housing properties for rehabilitation, funded, as was done for LAUSD, through a bond measure and additional state financing.

VI. The Our recommendations for \$100 M Trust Fund, Continued

The Trust Fund proposal by Housing LA consisted of Inclusionary Zoning and In-Lieu fees; Commercial Linkage Fees; reprogramming of \$40M of the Transient Occupancy Tax (TOT) from the General Fund; and indexing property tax funds. Of the \$100M in Trust Fund sources, \$56 M would come from the General Fund, and the other \$44M from taxes on new commercial and housing projects. Due to this crisis, residential developers should be assisted by the City of Los Angeles in both purchase and negotiation with surrounding neighborhoods, rather than allowing projects to be negotiated only through the developer themselves. Since we are experiencing an affordable housing crisis, reductions or vetoes of projects should be rare. Meet the rules, get your permit! Conversely, our recommendations focus on spreading the contributions to the Trust Fund away from existing General Fund uses and toward funds that only increase with the health of the development and business climate. In addition, we propose a bond measure on slum housing and a Genesis LA-type private investment fund for housing development to help generate an initial funding pool. Endorse a comprehensive strategy to eradicate slum housing. This solution will require dedicated, financial, legal, development and civic experts, but is crucial to eradicating the most egregious and unconscionable aspect of decades of under-investment in housing.

Potential Funding Sources	Estimated amount to be generated from Source	New or existing General Fund
The middle class is not the enemy - displacement is. We need moderate and above-moderate income communities. Mixed income developments that partner market rate units with below market are ideal, and 100% affordable projects should be in construction with market rate blocks.	\$5 M/year	New to General Fund. Already in City Council ordinance.
1A. 25% of Business License Tax funds from Amnesty 2001	\$5 M/year	New to General Fund. Already in City Council ordinance.
1B. 25% of new Business License Tax revenue post AB 63	\$10M/year (based on \$60M total projected revenue)	New to General Fund. Over AB 63 of asses, amend existing ordinance (above)
2. Revenue from Closing of Central Business District CRA Project Area reuse projects.	\$15M/year	New to General Fund, but budgeted in 2001-2002 budget. Pacheco motion has already pro osed this allocation.
3A. 40% of future property tax increment citywide. Index current roe tax revenues	\$11- 16M/year	New to General Fund monies. Recommended also by Housing Crisis Task Force
3B. AB 1284 (Lowenthal), creates Housing Opportunity Districts (HOD'S) which dedicate 100% of roe tax increment to housing	Unknown. Additional to revenues in 3A. City should study for areas of greatest return if AB 1284 passes.	New to General Fund, as dedicated future property tax This bill is now a two-year bill in the state legislature.
4. Dedicate future CRA Bunker Hill revenues to housing citywide	\$5 M/year	New to General Fund.
5A. CRA dedicate more than 20% of tax increment to housing. The revenue estimates do not include the CBD revenues if new area.	\$7M/year. This only counts the difference between 20% and 30%, as 20% is considered "old money" \$21M/year if all 30% of tax increment is counted towards AHTF	New to General Fund. Requires approval of each project area.
5B. Apply 5A to CBD CRA area.	Unknown. Will be considered all new money, since new CRA area.	New to General Fund.
6A. Dedicate 40% Documentary Transfer (DT) tax (0.45% sales tax on real estate transactions)	\$32 M/yr	Diversion from existing General Fund.
6B. Index the Documentary Transfer tax revenues, and 100% of additional tax funds o to HTF	\$4 M for each 5% increase in revenues (likely, based on surge in development)	New to General Fund
6C. Increase DT Tax to .5%	\$9M	New to General Fund. Ballot measure ma be re uired.
7. Program income from housing loan a backs	\$13 million/year	Redirect from existing CDBG funds. Does not take funds from General Fund
8. Targeted Neighborhood Initiative (TNI) funds reprogrammed when TNI areas	Roughly \$10 M / year	Redirect from CDBG funds. Does not take funds from General Fund.
9. Bond for slum housing. Would be used to purchase slum properties and a for relocation of tenants	\$100 - 200M non-recurring. Program income goes to AHTF.	New to General Fund. Ballot Measure is required.
10. Pooled investment housing fund (Genesis LA model)	Private investment funding	New money. Private Investment contributions with return on investments.

VIII. The affordable housing trust fund must be thoroughly defined

We are committed to a \$100 M Affordable Housing Trust Fund (AHTF). However, very little has been made clear about the nature and function of the Trust Fund itself. We recommend that the City:

- Consider making the AHTF a separate non-profit that allows charitable contributions to allow land to be donated to the City and funds contributed on a tax-free basis.
- Ensure that the AHTF is managed by an oversight board of private developers and financial institutions. Allocations from the Trust Fund should be clearly defined in an annual business plan, demonstrating the citywide nature of affordable housing production.
- Ensure that the AHTF is spent on projects that 1) eliminate slum housing by replacing it with new units; 2) are part of an overall plan that includes neighborhood-serving infrastructure such as parks and schools; 3) do not remove land that can be put to high-paying manufacturing uses.
- One-third of the AHTF monies should be spent on meeting the needs of workforce housing. One-third of the units that SCAG says must be built are needed to serve 120% of median income and above, while 50% of the units must serve 80% of median income and above.
- 3 Ensure that CRA funds devoted to the Trust Fund are allowed to operate with the same income targets as set up by state law. These income targets will allow Moderate income units to be built, which will help ensure the economic viability of many mixed income projects, while also focusing on the tremendous need at the very low income sector.
- Ensure that geographic areas generating Affordable Housing Trust Fund contributions, especially CRA areas, should have first priority if wishing to use those funds in their community.
- Give priority toward a "real time" subsidy program for those market rate projects that are considering inclusion of affordable housing units. There should be a pot of money earmarked for this purpose, that could be applied or planned for on an annual basis.

IX. Businesses and Neighborhoods should reap more benefits for solving the housing crisis

Discussion of financial and development incentives must include rewarding the communities that agree to additional density in their neighborhoods, and rewarding the businesses and neighborhoods, which contribute to the Affordable Housing Trust Fund. For example:

Parking meter funds should be prioritized to support mixed-income housing development. Loans repaid should go back into a revolving loan for this purpose.

Targeted Neighborhood Initiative (TNI) Funds should be reprogrammed for housing production and surrounding community amenities only.

Reprioritize CDBG funds, prioritize Proposition K funds, school funds, and transportation funds to enhance communities that endorse 100 or more affordable units in a year.

•• Tax breaks should be given to businesses that contribute to the Affordable Housing Trust Fund.

Employers who contribute to Affordable Housing Trust Fund have projects within a five-mile radius prioritized for their employees, to the extent possible within the law.

Child care centers should be fast-tracked in both permitting and financing, to allow for use by both residents of the housing development and the surrounding community.

Allow surrounding neighbors to have input on "1% for the Arts" fee, so whole community benefits by being included in some aspect of the project.

X. Conclusion

Los Angeles is clearly facing a housing crisis that is costing this city on all levels. Los Angeles businesses have a more difficult time recruiting employees. Slum housing conditions negatively affect public health, safety, and neighborhood pride. Lack of affordable homeownership has effectively pushed our middle class out of the county, which has dire environmental and quality of life repercussions for all of our citizens. And too much of our disposable income is going towards rent and mortgage payments, rather than into our savings accounts.

We urge the City of Los Angeles to focus on these incentive-based recommendations and partner with us to fix a system that is clearly not currently working. The business and development community stand ready to assist Mayor Hahn and the entire city, state, and federal family in its efforts to focus on these critical issues for the benefit of all of the city's residents and employers.

SANTA CLARA COUNTY HOUSING TASK FORCE

REPORT SUMMARY

INTRODUCTION

It has been the mission of the Housing Task Force to thrust the County into a new public leadership role as ***“the countywide affordable housing champion.”*** Consideration of jurisdiction, protocol and tradition were recognized and respected, but the severity of the crisis and the lack of comprehensive, compelling solutions inspired committee members and took precedence above all else. The prevailing sentiment has been that, while the region’s jurisdictions have done many things to address the housing crisis; it has not been enough, and it is time to coordinate land use and housing decisions with the greater interests of the region.

Housing advocates see the Housing Task Force process as an opportunity to create a countywide affordable housing “champion.” Others see opportunities for the County to fill several major regional policy and planning deficiencies, while some see the County becoming more vocal at the state and federal levels. All however, envision groundbreaking policy that unites all jurisdictions, public institutions and agencies into a synergistic effort to mitigate the housing crisis.

THE HOUSING TASK FORCE PROCESS

The Housing Task Force (HTF) was created by Supervisor Beall in his State of the County address in January, 2001. After several months of planning by a Steering Committee, the HTF first met on May 17, 2001 and was comprised of over 150 professional, volunteer housing advocates, developers, service providers, city and county housing staff and elected officials. All areas of the county and all affordable housing interests were represented. The HTF was divided into 5 subcommittees: 1) Regional Housing Blueprint; 2) Special Needs Housing; 3) Public Employee Housing Assistance; 4) Government Surplus Land; and 5) Community Land Trust. Four committees met approximately every two-three weeks from late May through August, while the Countywide Housing Blueprint Subcommittee met until mid September.

Each Subcommittee was advised of the time constraints of the process and recognized their work was limited to developing broad policy and strategy recommendations that would be refined later. Within their subject area, the Subcommittees conducted the following analysis:

- Define the affordable housing problem and needs
- Identify barriers to affordable housing, especially in Santa Clara County
- Identify key stakeholders in affordable housing and resources
- Develop strategies using short, medium, and long term goals
- Objectives must be focused
- Recognize/redefine the County’s role in housing production, creation, and preservation
- Recognize the work of others and if possible, build upon that

As work of the Subcommittees progressed, policy and strategy recommendations initially focused on the specific concerns of the group, but quickly grew into far-reaching recommendations. Many of the recommendations overlap and most are still in a very rough form, because again, the process and time constraints did not lend itself to developing a refined product. It is, however, the intention of the Steering Committee that the recommendations will be reworked and further developed through a “transition period”.

STRATEGY AND POLICY RECOMMENDATIONS

This summary briefly groups the major recommendations of the Subcommittees by overall project objectives that the Steering Committee intends to accomplish during the “transition phase.” The overall project objectives as formulated by the Steering Committee are as follows:

- 1) Regional Leadership and Advocacy
- 2) Infrastructure and Organization
- 3) Acquisition and Allocation of Resources

I. Regional Leadership and Advocacy

- 1) The Board of Supervisors should adopt a resolution declaring a “**State of Affordable Housing Emergency**” and announce a number of major action steps to be taken along many fronts. Possible action steps may include but are not limited to the following and the final resolution has not yet been approved by the Steering Committee.
- 2) In partnership with local jurisdictions and institutions, the County should establish a countywide Housing Advisory Commission (HAC) for planning and implementing a regional housing action plan. Key issues the regional forum will address include:
 - The use of publicly owned surplus land for affordable housing
 - Creating affordable housing opportunities for all public employees
 - Creating affordable housing opportunities for special needs persons and families
 - Developing comprehensive, consistent favorable land use and affordable housing policies throughout the county
 - Addressing the jobs/housing imbalance in the county
- 3) In partnership with local public jurisdictions and institutions the County should initiate a countywide Housing Education and Finance Assistance Program for all public employees.
 - This multi-jurisdictional program will establish a revolving loan program and provide rental and home buying assistance to public employees in Santa Clara County.

- 4) The County should take a proactive, local leadership role becoming the affordable housing advocate throughout the county. In this capacity, the County should facilitate the following:
 - Bringing together developers, service providers, city, state and federal agencies and resources for the purpose of developing affordable housing projects
 - Advocate for favorable land use policies and set asides for affordable housing developments
 - Advocate for cities to allocate 50% of their redevelopment funds to affordable housing
 - Further develop existing lobbying resources
- 5) The County should become an active and visible advocate at the state and federal levels of government. The County should work for the following:
 - Prepare an analysis of how state and federal housing programs in the county work or do not work here
 - Advocate for funds, tax incentives and programs (i.e., National Housing Trust) aimed at developing affordable housing in high cost counties throughout the state
 - Advocate (on behalf of local nonprofits and service providers) developing flexible conditions and consistent reporting requirements on the use of state and federal funds for affordable housing
 - Advocate for Housing Element reforms
 - Advocate for construction defect legislation
 - Encourage our state delegation to lead a large-scale effort to review and reform state licensing requirements and code
 - Advocate for legislation establishing Housing Redevelopment Zones
 - Advocate for reform of Proposition 13 and its many variants

II. Infrastructure and Organization

- 1) The County should redefine what constitutes surplus land and compile an inventory of all vacant or surplus land owned by local, state and federal governments, institutions and agencies in the county.
- 2) The County should create an Affordable Housing Unit to coordinate the development of new County housing service efforts, as well as support existing efforts, including but not limited to the following:
 - Facilitate coordination of current housing efforts of County departments
 - Gather critical data and determine housing needs of County special needs clients and public employees

- Establish affordable housing information services (Housing Education Assistance Program) for special needs clients and public employees
 - Seek and acquire new resources
 - Provide resource acquisition assistance to developers and service providers
 - Use County resources to facilitate local projects
 - Develop marketing strategies and materials directed towards the county in support of affordable housing
 - Advocate for affordable housing issues at the local, state and federal levels of government
- 3) The County should establish a Special Needs Housing Education and Assistance program for special needs clients and housing service providers.
- Services provided by the County would include ongoing rental and down payment assistance, as well as emergency assistance and life skills training.
- 4) The County should establish “best practices” policies in Special Needs Housing management, including:
- Developing ways to encourage and reward successful programs
 - Facilitating the development of new community based special needs housing models and developing innovative designs that would be effective in Santa Clara County
- 5) The County should establish a County Housing Department for building very low and extremely low-income housing for special needs clients and public employees. The County Housing Department should:
- Issue building permits for affordable housing projects on County surplus lands
 - Work with cities on building affordable housing projects on County unincorporated lands
 - Become an insurer or guarantor of financing for affordable housing projects
 - Establish a temporary loan fund for developers of affordable housing projects
 - Establish a rental housing assistance program to buy down rents
 - Utilize and/or leverage service contracts to facilitate the development of affordable housing
 - Provide “catalyst financing” to assist nonprofit developers

III. Resources Acquisition and Allocation

- 1) The County should move immediately to initiate the establishment of a countywide “Affordable Housing Land Bank” (AHLB), to hold and manage “gifted” or purchased lands for the purpose of developing affordable housing.

- 2) The County should make available all vacant or surplus lands owned by the County to the Affordable Housing Land Bank and urge all public jurisdictions, institutions and agencies in Santa Clara County to do the same.
- 3) The County Housing Department should be engaged in an on going effort to acquire resources including permanent funding for countywide affordable housing programs. Potential new resources and funding could include but not be limited to the following:
 - Surplus Government Land for building affordable housing units
 - Units/Land acquired through Inclusionary Zoning, Density Bonuses
 - Special Tax districts
 - Bond Financing
 - Housing development/Commercial development fees
 - Local taxes
 - Local foundations
 - Pension Funds
 - Redevelopment Funds
 - Additional state and federal assistance

CONCLUSION

The Housing Task Force Steering Committee is recommending the Board of Supervisors appoint the Steering Committee to oversee the refinement and implementation of the recommendations of the Housing Task Force report. The Steering Committee will report to the Board of Supervisors and the HLUET Committee of its progress on a regular basis as well as take direction from the Board, Committee, and County Administration.